

# CURRENT HISTORY

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## The Way Back to Prosperity

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*Member of the British House of Commons, 1919-1931*

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WE still pray to be given each day our daily bread. Yet there is too much bread, too much wheat and corn, meat and oil and almost every commodity required by man for his subsistence and material happiness. We are not able to purchase the abundance that modern methods of agriculture, mining and manufacture make available in such bountiful quantities. Some economists call it overproduction; but there cannot be overproduction with millions of people living on the border line of starvation in the backward countries and many more millions below the poverty line in the advanced and more highly developed industrial communities. The problem is one of underconsumption and can only be solved by increasing the purchasing power of the masses of the people.

The need today in the world is not for bread but for more pay, more money so as to enable its inhabitants to consume what they produce. Instead of praying to be given our daily bread when the farmers in India, Ru-

mania, Canada and the United States complain loudly of a wheat "glut," we should pray for daily pay for the many to be able to purchase the abundance and richness of the earth and the products of man's energy and invention. What is the cause of this extraordinary situation that we are witnessing in the third decade of the twentieth century? Why is mankind being asked to go hungry and cold and poverty-stricken in the midst of plenty?

The scientists, the inventors, the engineers, the metallurgists and the agriculturists have, by their achievements, removed the spectre of want and famine from the world, and in their achievements they have far outstripped the capacity of our governments and rulers. The science of government has been left behind in the system of the eighteenth century while the science of production is well ahead in the twentieth century.

The machinery of government falls into two parts. There are two governments in every modern nation—the



visible and the invisible. The visible government is that exercised by political dictators, as in Italy, or through national Legislatures in Great Britain, France, Germany, the United States and other countries. This visible government takes care of foreign relations, decides on peace and war, maintains or tries to maintain order and tranquillity, looks after the poor and indigent, the sick and the insane, either nationally, as in Great Britain and Germany, or through the States and local governments, as in the United States. But it is becoming more and more divorced from, and less powerful than, the invisible government; and this invisible government takes the form of financial control.

In the United States the invisible government consists of the organization of the Federal Reserve Bank, "Wall Street" and a few powerful bankers, aided by their economists and statisticians. Naturally, it keeps in touch with the President, the Secretary of the Treasury and the political leaders of the party in power. But it functions independently and is directly answerable to no one.

In Great Britain the invisible government consists of the court of the Bank of England, whose directors are appointed by the inner circle of the financiers who control the large international banking houses. The court of directors and the governor have a close working arrangement also with the permanent officials of the British Treasury, who in their turn advise or inform the Prime Minister and the Chancellor of the Exchequer. In theory, the Bank of England, the bank of the bankers, is divorced from political control and interference. Actually it works closely with the treasury, as already stated; but the treasury itself, the most powerful department of State, attempts to work independently of Parliament and, as much as possible, independently of the political heads of the government.

I was a member of a special committee set up by the British Labor

party, when in office, to investigate the economic difficulties of last Spring, when the situation was working up to the crisis which overthrew the Labor Government and installed the present National Government in office and forced Great Britain off the gold standard. One of our witnesses was the governor of the Bank of England, and toward the end of the third session, at which he testified, I asked him outright what were the relations between the Bank of England and his Majesty's Treasury. His reply was that they were the relations of Tweedledum and Tweedledee.

In France the invisible government consists of the governor of the Banque de France, the central bank of issue, the permanent officers of the French Ministry of Finance and the *grande bourgeoisie*, principally located in Paris and consisting not only of the great bankers and financiers but of the leading industrialists. The alliance between the political leaders of the party in power and the invisible government of France is similar to that of Great Britain. Thus, if there is a strong and well-informed Minister of Finance or Prime Minister, or both, he or they insist on being informed or consulted on matters of high finance.

The German situation is very similar, except that the functions of the central bank of issue are even more independent of the popularly elected government. This was brought about by direct allied action after the World War as part of the policy of exacting reparations from Germany and after the great German inflation.

In all these cases, including that of the United States, the central bank is supposed to be divorced from commercial profit-seeking interests and to work as a public utility. And, no doubt, the controllers of these central banks try to interpret their functions in this way. But the whole of this system of financial government is in a



rudimentary stage of development, especially in its international sphere.

Now it is becoming increasingly evident, and recognized by all informed persons, that the monetary problem itself is at the root of all our present difficulties and that it cannot be solved by any nation acting independently. The United States is nearly self-supporting and almost independent economically. Only 10 per cent of the total production of the Union is exported abroad. But this 10 per cent makes just the difference between profit and loss, between success and failure. Political isolation is theoretically possible, but economic isolation means poverty and a lower instead of a higher standard of living.

There have been increasing attempts at cooperation between these invisible governments on both sides of the Atlantic, but the process is slow and cumbrous, and all sorts of difficulties have arisen owing to differences of outlook and opposing policies. For example, with regard to the crucial question of intergovernmental indebtedness and reparation obligations, there are an American policy, a French policy, a British policy and a German policy, and all four are opposed to each other, though there is more concurrence between the financial policies of Italy, Great Britain and Germany than between those of France and the United States.

The nearest approach to an international financial body is the Bank of International Settlements at Basle, Switzerland, set up as a clearing house for reparation payments. With its American president and its governing body nominated by the central banks, it may, in time, develop into a real central *international* bank for all the member nations. But here again the process of development is slow, and there are only too clear indications of a lack of any settled policy. In other words, the leaders of banking and finance in the world are uncertain as to what is wanted, what policy they should pursue and what

action they should take. And so each of these invisible governments drifts along, acts independently, tries to help commerce and industry, no doubt, and hopes for the best.

Yet regard the power of these invisible governments! Their policy, or lack of policy, has tremendous influence on the lives of the mass of people. The governing bodies of the Federal Reserve System and the member banks in the United States can decide on prosperity or penury for millions of people. They can extend or restrict credit, either making fortunes for thousands or bankrupting and ruining other thousands of corporations, firms and individuals. They raise or lower the bank discount rates, making business, commerce and agriculture profitable or unprofitable.

As the former centre of world finance and the seat of operations of the most experienced international bankers, England has developed the system more highly than any other nation. Nevertheless, in the United States and France the power of the central banks over the life of the community is tremendous. Though the power exists, it is not always used, and when it is used it is used incorrectly or tardily. A case in point is the great stock market boom in the United States in the years before 1929, which was the American equivalent of inflation and which was recognized as dangerous by the governors of the Federal Reserve Banks and other financial leaders for a considerable period before the break. It was known that the prices of industrial and other securities were being forced up to fantastic and unhealthy heights.

Rightly or wrongly, the governors of the Federal Reserve Banks and their advisers, the invisible rulers of America, desired to check this boom in 1927; they did not do so because there was a Presidential election coming in 1928, and tremendous pressure was brought to bear on the Federal Reserve Banks to do nothing, in the



interests of the Republican party, to check the prosperity wave. Therefore, although warnings were issued, the market was given its head, allowed to rush along the road of inflation, not of the currency, but of values, and the curb was not applied until 1929.

Not so long ago I asked a prominent spokesman of American high finance, who had a good deal to do with the final decision to check speculation and Stock Exchange gambling, whether the American boom could not have been continued indefinitely by the simple expedient of a Presidential election annually. He replied that this would work well enough for a few years, but the subsequent slump would have been all the more violent.

Let me now turn to a British example of the working of the invisible government of finance and its effect on the fortune of millions of people, both in Great Britain and elsewhere. During the World War there was a tremendous expansion of currency and credits, in Great Britain as in the United States. Great Britain, despite the yield of high taxes, piled up a debt of \$40,000,000,000. Our industrial, mining and agricultural equipment and production were trebled. Money was cheap and plentiful and, despite certain privations due to the war, the standard of living of the working people and middle classes was considerably raised. Great Britain was able to finance her allies, later with the assistance of the United States, and to pour out an enormous volume of munitions and instruments of destruction for the waging of the war. The pound sterling was pegged to the dollar; that is, it was not allowed to alter in exchange value. And then the armistice brought about a standstill and a new situation.

The pound was unpegged in 1919 and fell from its parity of \$4.86 to about \$3.30. Nevertheless, trade was good. Most of the world was suffering from a shortage of various manufactured goods, and there was brisk demand for British products. But here

was this tremendous equipment, more land under cultivation than at any time during the previous fifty years, and more ships sailing the seas under the British flag than before the war. Despite the slaughter on the battlefields, there were actually more persons engaged in mining, industry and agriculture than in 1913, which was a boom year.

The financial powers, faced with this problem, decided that there must be contraction, in other words, deflation; the pound sterling was to be forced back to parity with the dollar. The Chancellor of the Exchequer was Sir Austen Chamberlain, a weak though well-meaning man, with a rigid, orthodox mind. The Prime Minister was Lloyd George, engaged up to his eyes in the peace treaty negotiations. Chamberlain acquiesced in the deflation policy, and the long struggle began.

The bank discount rate was raised; credit was restricted; loans were called in, and the Bank of England sold securities in the open market. This process continued for five years. The result was rapidly rising unemployment and increasing difficulties for industry, mining and agriculture. There was one very serious mining strike and a number of other industrial disputes.

In 1925 the pound sterling had risen on the international exchange and a decision had to be reached as to whether Great Britain should return to the gold standard. Winston Churchill was now Chancellor of the Exchequer under Mr. Baldwin as Prime Minister. Baldwin it was who had, when Chancellor of the Exchequer, made the British debt settlement with the United States. Obviously the higher the value of the pound in comparison with the dollar the easier it would be to meet the obligations under that settlement. Furthermore, the debts owed by France, Italy, Belgium and other countries to Great Britain were repayable in sterling, as is the interest on the \$20,000,000,000 worth



of foreign investments held by British private citizens and commercial and banking corporations all over the world.

From the banking point of view, therefore, the return to the gold standard, with the pound worth its full twenty shillings, was advantageous. Actually, however, the pound was not worth twenty shillings, for its parity was artificial. Nevertheless, the risk was taken, despite some protests from the economists and by one important public leader. It is noteworthy that at the time of the return to the gold standard in 1925 Lord Beaverbrook, a millionaire, a very successful business man and an important newspaper owner, made his views heard in opposition, and has done so ever since, and that in the Spring of 1931 he advocated abandoning the gold standard. As I am opposed to Lord Beaverbrook's economic policy of a "free trade British Empire" with tariff walls against the rest of the world, I have pleasure in testifying to his far-sightedness in this matter.

But the return to the gold standard was brought about in 1925 and had important results. It immediately put up the price of British coal by between 5 and 10 per cent to foreign purchasers, and in the keenly competitive market for coal, owing to the increasing use of oil and electricity, this struck a heavy blow to the coal export trade. The mine-owners demanded lower wages to make up for the higher gold standard price of their product. The million miners resisted and were locked out. They called for aid to the Trade Union Congress, and not in vain. There followed a general strike, when all the working men organized in unions and their comrades not in the unions downed tools in aid of the miners.

The general public defeated the strikers, who were never revolutionary and not well led, but the locked out miners continued to resist for an-

other six months with increasing poverty and distress, while the country lost trade. It took a long time for British industry to recover from this blow. There was some kind of recovery in 1929, until the Hatry bankruptcy upset the British markets. To this blow was added the break in Wall Street. The Hatry bankruptcy and many other failures in industrial combines were largely brought about by the deflation policy and the restriction of credit and banking accommodation as part of the policy of remaining on gold.

To remain on the gold standard and to continue the lucrative international banking business of the City of London, it was necessary also to induce foreign investors to leave their deposits with the English merchant banks or the Bank of England. This, in turn, entailed high bank rates of discount and was a further blow to business. Unemployment figures mounted; agriculture and mining suffered; social measures of relief increased in cost; and, finally, the Austrian and German breakdown and the run on the British gold reserves led to the abandonment of the gold standard by Britain in September, 1931.

If there had been better cooperation between the central banks of London, Paris and New York, the Wall Street boom could have been checked more gently and earlier and with less dire results, Great Britain could have remained on the gold standard, and many of the bank failures in the United States, Germany and France would have been avoided. But there was lack of such cooperation until too late. And, despite the continuance of the depression, there is still very meager cooperation.

The idea in the public mind, widely held in all countries, is that booms and slumps in trade are uncontrollable and are acts of God, like bad weather and earthquakes or the tides of the oceans. These slumps and booms, however, depend on the price level—



the prices which commodities command in the world markets, which in their turn determine international trade conditions. The most sensitive prices are those for primary commodities, the products of the land, mines and forests. If prices fall, the producers of primary commodities are unable to purchase manufactured goods. Furthermore, with a falling price level for raw materials, the manufacturers themselves are afraid to purchase more than for their day-to-day needs.

If, for example, a textile manufacturer finds the cotton market weak, he is afraid to buy cotton because his competitor, by holding off the market until the price falls further, will be able to undersell him in the future. The manufacturer therefore only buys from day to day or even stops production altogether. The falling price level therefore has a double effect. It reduces the purchasing power of the producers, and it leads to a diminishing demand for their products.

Today the wheat, cotton and tobacco farmers in the United States are saddled with debts and mortgages contracted when their products were worth three times as much in gold dollars as they are today. It therefore needs three times the amount of crop to meet the same interest charges on a debt or mortgage. We here see the phenomenon of the iron dollar and the elastic goods; that is, debts remain at the same value in gold but the goods with which to pay them have fallen steeply to a fraction of their value.

This fall in the price level is not determined, as the older generation of economists taught, by the laws of supply and demand, but by the volume of money and credit available. It has been proved statistically, without any possibility of refutation, that throughout the last fifty years the price level in the United States has been directly dependent upon the ratio between volume of credit and volume of trade. When trade was increasing, with

greater productivity and new inventions, and when bank credits were made easy, prices rose and booms followed. When credit was restricted—remember always that productivity has steadily increased throughout the world during the last fifty years—prices fell. When credit, which is the modern currency of commerce, was sufficient but not more than sufficient for the expansion of trade, prices remained steady.

In passing let it be noted that coins, paper money, bank notes and so forth are only the small change, the till money of industry and commerce. In all the larger transactions no money actually passes; bills of exchange or bankers' checks are tendered in payment.

Suppose a group of business men desire to erect a skyscraper in a Western town. Having arranged for the necessary bank credits, they sign a contract with a builder. He is paid by check at intervals while the work is going on or when it is completed. With the bank credit created by the checks, drawn probably on the same bank, the builder purchases his steel, concrete, electrical fittings, and so forth. And with checks he pays the architect, the sub-contractors, the hauling companies and the like. The only "money" involved is the weekly wages paid to the workmen, which would be rarely more than one-quarter of the total cost involved. The wives of the workmen pay the dollar bills over the store counters on Friday and Saturday; the storekeepers put them back into the banks on Monday; and they are drawn out again on the following Friday to be paid once more in wages.

It is bank credit that matters today, and it is bank credit that has been restricted in Great Britain since 1919 and in the United States since 1929. In each of the last three years in the United States bank credits have been contracted 20 to 25 per cent. Is it any wonder then that the real estate mar-



ket has collapsed, that agriculture is nearly ruined, that manufacturers have ceased production and that there are bread lines of unemployed in the cities? Is it any wonder that prices of all primary products, with the one exception of gold, have fallen steeply? Is it not obvious that the present monetary system is hopelessly out of gear and unsuitable for modern requirements?

There are many causes for this breakdown. One of them, though not the most important, is the abandonment of bimetalism. The devaluation of silver has led not only to a restriction of trade and credit, but also to a shortage of gold. To re-evaluate silver would be a help, especially for the commerce of Asia, but by itself it would be inadequate.

Another cause of the depression is the misuse of gold. It is being used as a commodity of commerce and, still worse, an instrument of international policy, especially by France. There is a gold shortage also owing to the policy of the creditor nations, especially France and the United States, who insist on their debts being paid but who refuse, by the erection of high tariff walls, to take payment in goods. But in any case there was bound to be a world-wide shortage of gold, owing to the non-discovery of new mines since gold was found in Alaska.

Yet shortage of gold would not in itself cause all this distress if the metal were used only as a measure of value and not as a commodity or as a means of making international payments. Mankind is used to the idea of hard metal, cash money. But this is only a sentiment. An excellent substitute for gold as a medium of exchange and payments has been found in bank credits, national and international. But if credits and currency are to be limited by the amount of gold sterilized in the vaults of the central and reserve banks, the situation becomes hopeless. The production of

gold has not kept pace with the increase in the production of goods and commodities. True, gold does not deteriorate or wear out, but it is increasingly used in industry and the arts and is being hoarded in many countries, notably India. A few bold dealers are selling Indian gold. But it has been made into jewelry or buried in India by her 300,000,000 inhabitants for many centuries, and the quantity hidden in the Indian Peninsula is enormous.

The world production of gold in 1903 was 15,934,268 fine ounces, equal in value to \$347,000,000. In 1929 the production of gold for the whole world was 20,191,478 ounces, or \$403,000,000. In 1903 the production of the leading basic commodities for the whole world, excluding Russia, was valued at \$26,049,000,000. In 1929, with world production far below capacity, the value of commodities produced was \$46,500,000,000. Obviously, the production of commodities had outstripped the production of gold during the twenty-six years. Each of the former gold discoveries—the looting of the New World by the Spanish conquerors, the Australian and Californian gold rushes, the opening of the mines in South Africa and in the Klondike—led to an expansion of trade and industry. But now we have discovered in modern banking and credit practice—if we will only use it—something better than new gold fields.

It would be possible today for the Federal Reserve Banks to raise prices in the United States to the 1927 or 1929 level by buying securities in the open market to the extent of \$200,000,000 or \$300,000,000. This would make more funds available for the member banks; eight or ten times that amount could be given in credit or lent out to industry.

But this might weaken the dollar in the world markets. Fluctuating exchanges are another great hindrance to international trade. Yet if the cen-



tral banks of *all* the leading financial and industrial nations decided to expand credit simultaneously, there would be no fluctuation or little fluctuation in the exchanges and world trade would revive. Better still, the exchanges could be pegged in relation to one another and fluctuations thereby avoided.

If prices rose too high, by selling securities the central banks could restrict credits and check the boom. The ideal would be to keep prices steady, to encourage the growth of production and to issue enough credits and currency to meet the increased needs of expanding activity. By this means we could steadily raise the standard of life of the people of all countries, avoid alternate slumps and booms and eventually abolish unmerited poverty.

The economics of today as taught by the orthodox are out of date because they were meant for a world situation in which famine and scarcity were the normal conditions and in which mankind was engaged in a fierce struggle against the forces of nature. Men had to save and hoard and put by for a rainy day. But now modern science and industry, with better means of transport and communication, have removed the spectre of famine and want. The need now is

to spend, consume and thereby use up the overflowing abundance which every civilized community can produce. Mass production must be accompanied by mass consumption, otherwise society will either bankrupt itself or seek relief in warfare and destruction. Nevertheless, we continue to urge the practice of thrift and penury, to deflate and restrict credits, when markets, warehouses and granaries are choked with unsalable goods.

The position is like that of a party of explorers who have crossed a desert. There it was necessary to conserve their water supply, to dole out the precious liquid in daily rations. But now the travelers are in a boat on a great fresh-water lake, and still they dole out their scanty supply of water in little cupfuls and suffer thirst and privation.

The test of whether our present civilization will survive depends upon our solving the modern problem of under-consumption in a world materially richer than ever before. Is mankind really to sit down and starve, because of lack of leadership and courage in the invisible governments of high finance, or will the common sense of the common people demand that a way out of the apparent impasse be found?



# The Mood of the Mid-West

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By THEODORE CHRISTIANSON  
Governor of Minnesota, 1925-1931

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MID-WESTERNERS have endured the depression so long that they are able to consider it somewhat calmly, even though they have no disposition to accept it complacently. Unlike the New Yorker, who still spells depression with a big D and dates it from October, 1929, the mid-Westerner is no recent shell-shocked recruit. After twelve years of "double drill and no canteen" he is a veteran inured to the hardships of a long siege. He knows that he cannot run away. So he has quite definitely decided that his only course is to fight through.

Perhaps for that reason there is less disposition to acquiesce in *laissez-faire* in the corn lands than elsewhere in the country. Then, also, the demand for action is in the blood. The men who built an empire on the prairies had to devise expedients to meet conditions. If they had been unable to, their venture would have been brief and fruitless. It is natural, therefore, for their sons to assume when conditions change that policies must change also, and that when something goes wrong something must be done about it. So it is that from the time of Sockless Simpson to the present day, the Middle West has been an incubator of new ideas concerning politics and unorthodox opinions upon economics. The essential difference between the East and the Middle West today, politically speaking, is that in the East control is still in the hands of those who do not care to experiment, who hold to the old policies—and have profited from them—while in the Middle West power is passing

to those whose opinions are regarded further East as somewhat heretical.

It is inevitable when many new devices are tried that some of them do not prove efficacious but even harmful. There is no laboratory where every experiment yields the results that were expected. So, by trial and error, the Middle West has been forced to reject such expedients as guaranty of bank deposits, State banks, State mills and State packing plants. It has had some disillusioning experiences with State rural credit systems. In fact, so far almost every attempt to socialize business or industry has failed. It is not necessary here to say whether failure was due to incompetence, dishonesty or to that something inherent in business which foredooms it to failure when the incentive of private profit is lacking.

There have been experiments in the political field which, no less than those in the economic, have failed to fulfill the high hopes of their sponsors. The initiative and referendum, popular election of United States Senators and the wide-open primary—mid-Western ideas which originated with Populism but have been adopted more or less generally by the country as a whole—have certainly not been the unfailing panaceas they were expected to be by the political doctors who wrote the original prescriptions.

But, undaunted by defeats and failures, the Middle West has not lost its zeal for experimentation. There have been crop failures, too, yet the people have continued to plow and seed. Then, why not continue to experiment with economic formulas? One of the most



recent proposals from the rural interior was the McNary-Haugen bill. Twice passed by Congress, but twice vetoed by a President who was Eastern conservatism incarnate, it still stirs hopes in the wheat country. The resentment which followed the defeat of that measure was not due to any fixed conviction that it would solve the surplus problem, but rather to the feeling that the farmers should be permitted, at their own expense, but under government auspices, to make the experiment. "If you cannot propose something better, why do you not let us try this?" was the question directed by the West to the East. To that question there has been no answer to satisfy the Western farmer.

The effort to evade the issue by creating a Farm Board, which the farmer had not asked for, and lending money to a government-sponsored Grain Corporation to buy and hold a part of the surplus, an expedient in which the farmer had no faith, did not placate agriculture. To the farmer it seemed as futile a proceeding as trying to lower the sea-level by pumping water out of the ocean. The export bounty might have failed; it probably would after foreign markets had been closed against us by retaliatory tariff walls, and after demand for our wheat had fallen off because of milling regulations enforced by governments determined to make their countries self-supporting. But, having failed, it would at least have settled an issue; and it might have served to convince the wheat grower of the wisdom of crop curtailment.

The thought so common in the East that unprofitable prices will of themselves force acreage reduction, and that therefore the surplus problem will solve itself, does not square with the facts. On the contrary, low prices compel fuller utilization of the land. A farmer who finds that he cannot meet taxes and interest this year will inevitably seed more acres next year. That he not only destroys soil fertility by refusing his land a fallow

year occasionally but also aggravates the surplus problem and increases the likelihood of still lower prices does not deter him in the face of the immediate necessity to increase his present income. Thus, we are told that, despite huge accumulations and the lowest prices for several decades, the Spring wheat acreage of Minnesota, North and South Dakota and Montana will this year be 17,925,000 acres, as compared with 15,002,000 acres in 1931. Oats are so cheap in the Middle West that a farmer must sell three bushels for the price of a haircut; nevertheless, the acreage of oats for 1932 will be 8.4 per cent over that for 1931. Likewise, the corn acreage, according to government estimates, will show an increase of 2.2 per cent.

Swivel-chair economists to the contrary, it should be evident that in those parts of the country where land values are so high that abandoning a farm involves the sacrifice of a large investment, low food prices stimulate production instead of restricting it. If low prices do cause decreased production anywhere, it is on submarginal lands, where there is less sacrifice in giving up the struggle than in trying to hold on. Mid-Westerners strongly oppose reclamation projects which have for their purpose the increase of the agricultural area of the country; they feel that lands in need of irrigation to produce should hereafter be kept in reserve, awaiting the time when population shall impinge upon food supply. They see no consistency in maintenance by the Federal Government of two agencies, the Department of Agriculture and the Farm Board, one teaching farmers how to raise more and the other urging them to raise less.

The resentment caused by the refusal of Eastern interests and people to give Western ideas of farm relief a fair trial has not been diminished by the apparent willingness of the powers that be to accept any proposal advanced by finance and industry for their own rehabilitation. The protest



against the Hawley-Smoot tariff law has not yet died down. Mid-Western Congressmen who favored it because it contained a sop to agriculture, in the form of increased duties that cannot be effective upon commodities of which there are surpluses, are still explaining their votes. The President escapes much of the criticism that would otherwise be visited upon him, because it is generally conceded that after Congress had kept business in suspense more than a year while wrangling over the bill he might have done more harm by vetoing it than by signing it.

The Middle West is traditionally for the tariff. Election after election, men have been sent to Washington to vote for higher schedules in the hope that from industry's laden board some crumbs might fall to Lazarus. There has now come the realization that while the diner at the table has been waxing big and strong the crumbs have become smaller and fewer.

Lately the thought has sped from farm to farm that industry, not satisfied with earning generous profits by charging the home people all the tariff would permit, was using the wealth and power so attained to seize foreign markets. The significance of the new economic imperialism has only recently come to the corn lands. The farmer, since he lost his own foreign outlet, has been doing some thinking, and this is the way he has reasoned: "Europe cannot buy our grain and meat and pay for it in gold, because, outside France, Europe has practically no gold. In fact, Europe already owes us nearly \$20,000,000,000 payable in gold—twice the world's supply of that metal in monetary form. Therefore, if Europe is to buy from us, we must be paid with goods. If our tariff wall makes it impossible for Europe to get goods into this country, it will have nothing with which to buy our surplus crops. Furthermore, when American industrialists crowd Europe out of Argentina, they make it impossible for

Europe to establish credits with which to buy Argentine grain and cattle and thus compel Europe to raise its own. Thus, the disparity between supply and demand, already serious throughout the world, is aggravated, first, by depriving Argentina of its outlet; second, by increasing European production." And where the name Argentina has been used, Canada, Australia or New Zealand might be substituted.

The farmer is now convinced that his loss of foreign markets is due in no small measure to industry's ruthless penetration of the foreign field, which has forced Europe to divert its energies from manufacturing to agriculture. He realizes, of course, that it would be futile to ask industrialists to forego opportunities for profitable business abroad; still, he questions the wisdom of pressing those opportunities to the point of destroying the buying power of 30,000,000 rural folk and their millions of small-town constituents, who constitute the best part of industry's home market. To him it seems that industry has but repeated the folly of Aesop's fabled dog, which was so anxious to seize the bone alluringly reflected in the water that it lost the one it had.

The Western farmer also questions the wisdom of other policies and practices which have helped business prosper at the expense of agriculture. The activities of New York bankers who sold foreign bonds to the amount of several billion dollars, although perhaps not chargeable directly to the government, met with a success that would not have attended them but for the sanction and approval of governmental bodies. The \$9,500,000,000 lent abroad—\$300,000,000 more than enough to refinance the farm mortgage indebtedness of this country—would have brought interest rates down if left at home. The \$8,500,000,000 invested in foreign railroads, power plants and factories, if kept in America, would have made credit very cheap. The total of \$18,000,000,000 with which American investors have



tried to finance the world would have given capital already invested here so much competition that there would have been a very substantial lightening of the burden which borrowers are now carrying.

Investors would have been better off. Their net returns from loans bearing low rates, secured by mortgages on mid-Western farms or on other substantial property at home, would have been better than those which they may anticipate from precarious foreign bonds, which have already, on the basis of present quotations, suffered an average loss of nearly 60 per cent. Furthermore, there can be no doubt that lower interest rates would have made investments in bonds and mortgages at home more secure, and therefore more desirable. A saving of 1 per cent in interest, if applied semiannually, will amortize a mortgage in less than thirty-five years. A saving of 2 per cent would greatly accelerate the liquidation. Farm mortgages which are unsound at 6 per cent would in most cases be worth par at 4, because, while few farms will earn 6 per cent upon a 50 per cent loan under present conditions, most farms, if well managed, can be made to earn 4.

These are some of the considerations which are causing Western Senators to introduce bills calling for government refinancing of farm mortgages at very low rates. Strength and plausibility have been given to their position by the liberality of the government in extending loans to Europe after the war and by its recent willingness to go to the rescue of distressed banks and railroad companies. If the government can rehabilitate Europe it should be able to resuscitate America; and if it has money enough to save banks and railroad companies it should be able to rescue the beleaguered farmers—equally important in the national economy—who are losing their farms. These are the arguments, good or bad, which

one hears on the farms and in the village in support of such measures as the Frazier bill.

Congress has countered with an appropriation of \$125,000,000 for increased capitalization of the twelve Federal land banks, with the proviso that \$25,000,000 shall be used to inaugurate a more liberal policy in dealing with defaulting mortgagors. The mid-Western farmer points out that \$125,000,000 is a pitifully inadequate sum in view of the retirement of many agencies from the farm loan field. Furthermore, he reasons, unless prices of his products can be increased, there is little point in postponing foreclosures; the delay will only prolong his agony. These conclusions he has arrived at calmly. There is no disposition to face the future emotionally. He has not given up in despair, nor does he intend to fool himself into thinking that makeshift remedies will work miraculous cures. He is still willing to experiment, but is in no mood to become excited over experiments that have only half-way objectives.

The mid-Western farmer views the new Reconstruction Finance Corporation realistically. He does not expect it to conjure prosperity out of an economic vacuum, as the magician pulls a rabbit out of a hat. The value of the new \$2,000,000,000 organization lies probably in the fact that it prevented worse calamities than any thus far experienced, rather than in effecting a cure for the ailment from which the country is suffering. No one knows what might have happened if the credit of the government had not been used to steady confidence; perhaps some of the larger banks might have crashed; probably several of the great railroad companies would have defaulted. Any such development might have thrown the nation into panic, with tragic consequences. The administration is entitled to great credit for having initiated the movement to marshal the constructive



forces against those of fear and disintegration. If it is to receive any criticism, it is for having delayed action too long, a criticism that can be answered by saying that the President probably acted as soon as public sentiment was ready to support him.

The great danger now is that the country may have been lulled into inaction by this admittedly salutary but yet incomplete program for rehabilitation. The banks, the railroads and the insurance companies have been given respite; will they, and those who take their opinions from them, assume that everything that can be done has been done? Will the East, now that these interests centred there have been taken care of, at least temporarily, sit back and let *laissez faire* take its course? These are questions that are agitating the Middle West, which, accustomed to disillusionment, and perhaps too willing to experiment, sees the need of applying more drastic remedies than have as yet been considered seriously in respectable Eastern circles.

The cure for what ails us is not to be had by tapping a new source of credit, however necessary that may be in order to stave off creditors and bank depositors. The government may put its money into banks, but that money will not necessarily increase business, since the banks may decide to hoard it. The charge has been made that the bankers are the worst hoarders in America today. Whether that is true or not, it must be conceded that the bankers would not be justified in lending the funds secured by rediscounting paper at the Federal Reserve Banks or in other way, unless and until they were sure that business and industry had recovered to such an extent that the loan would be safe. Conversely, good business men will borrow money only when there is opportunity to use it profitably.

The money advanced by the Reconstruction Finance Corporation to banks may be useful to meet runs or

to prevent them, but it will not begin to rehabilitate business until the downward price trend stops and an upward trend begins, for only then will it be safe to lend money or to borrow it. When better times come it will not be because money is easier to borrow but because it is easier to earn. Increase in commodity prices is, to the farmer's way of thinking, the absolute prerequisite to a return of prosperity.

What would bring about a higher level of commodity values? Curtailing production? Yes, if that could be brought about. For reasons that have already been given, crop curtailment cannot come through voluntary action so long as low prices make increased production necessary to the individual farmer. If accomplished, it will be through the elimination of the marginal producer after long and painful attrition, with efficient producers on fertile land suffering with those destined for extinction; or it will be through government regulation of a sort people will not tolerate so long as the idea of personal freedom dominates our political thinking.

Price fixing by law has had its adherents. In fact, a Western Congressman recently introduced a bill providing that the minimum price of wheat should be \$1.25 a bushel. He would maintain the price by giving the President power to put into effect, from time to time, such tariff rates as would support it. How the means proposed would accomplish its purpose is not apparent in view of the fact that wheat prices have at times been lower than the protective duty. Surely in the absence of some allotment plan for limiting acreage, price fixing by law would seem to be a doubtful remedy for the farm problem in a country which habitually raises surpluses.

There remains one means by which the price level might be raised—inflation. Inflation does not necessarily mean silver, although the shade of



William Jennings Bryan is again moving over the prairies. Inflation might be accomplished through the Glass-Steagall act, some believe, if the bankers on the Federal Reserve Board were not too much committed to the old school of economics to make full use of the powers conferred by the new law. There is no unanimity of opinion as to how inflation should or could be accomplished; but there is a decidedly predominant opinion that it must be, if economic stability is to be restored. In 1920 it took only 240 bushels of wheat to pay interest on a \$10,000 mortgage; now it requires 1,200 bushels. The result is that mortgages are not being paid; they are being foreclosed. Only when commodity prices become high enough to pay debts will buying power return; and only when buying power returns will labor find employment. So says the economist of the wheat country, and he is gaining many followers.

Would not inflation be unjust to the creditor, would it not confiscate his property proportionately to the extent of the inflation? No, says the mortgage-harassed farmer. The creditor parted with 100-cent dollars. Inequity would result if he were to be repaid with dollars that have a purchasing power of 200 cents. If the dollar were stripped of its enhanced value the creditor would be paid in the coin with which he parted. There would be justice to the creditor, the debtor and everybody except the unfortunate who

has already been sold out. In fact, the creditor would be better served by being paid in money of reduced purchasing power than by obtaining property which, under these depressed conditions, has no income-earning capacity; it would be better to lose something through inflation than to lose all through repudiation and default.

So the West is ready for another economic experiment. There is no unanimity of opinion as to the direction in which the experiment should proceed, but there is a conviction that the experiment must proceed until a monetary system is established so stable that wealth or poverty for all the people shall no longer depend upon fluctuation in the gold supply. Let me add that in this article I have not sought to express my own opinions; I have sought to interpret a political thought so generally held as to be typical of the interior.

How will the present thought on economic problems affect voting in the West next November? Not so much as some politicians believe. Election results depend more upon how people feel than upon what they think. There are so many issues which cross party lines that it is seldom possible to divide voters sharply on the basis of what they believe politically. If wheat is 75 cents a bushel and hogs are 5 cents a pound in October, Herbert Hoover will carry most of the mid-Western States. If not—but why risk the rôle of prophet?



# Pius XI: A Modern Pope

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By P. W. WILSON

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TEN years ago Pope Benedict XV died amid the chaos left by the World War. Institutions everywhere were shaken and the most solid of autocratic dynasties, as they had seemed to be, crashed into dust. The abuse of secular authority brought all authority, spiritual as well as secular, into discredit. With secularism everywhere triumphant, the Roman Catholic Church seemed to survive as a shadow of the magnificent mysticism which had pervaded the Middle Ages. Would it be possible for the most ancient, the most conservative, the most ceremonial, the most sacerdotal of all communions, with its uncompromising insistence on the supernatural, to flourish unchanged in a century where change had been already thus violent and universal?

It was with this question unanswered—a question affecting Catholic communities nominally embracing 330,000,000 people—that the Cardinals assembled in conclave to exercise a brief but collective sovereignty. They who had received the red hat from the late Pope, among whom was a certain Cardinal Ratti, occupied purple thrones; elder Cardinals had thrones of green, and each of their eminences, whether he ranked as Bishop, priest or deacon, sat for the moment under his own canopy. Withdrawn from all immediate contact with a war-weary world, the princes of the church were surrounded in the Sistine Chapel by the solemn splendors of Michael Angelo's genius—apostles and prophets brooding over their deliberations, and the Deity him-

self depicted in final and awful judgment on the affairs of men.

To choose a man was the only business before the conclave, and during four days of strictest seclusion the Cardinals cast the "scheda" or secret ballot into the silver chalice, thirteen times. Mingled with straw, the voting papers were thrust into the most famous of all iron stoves, and black smoke from the chimney indicated that the election was incomplete. On the fourteenth ballot no straw was added to the burning papers. The smoke from the chimney rose white. The crowds knew that a two-thirds majority had been obtained. "*Habemus Papam!*" they cried. "We have a Pope!" By a touch of the hand, each Cardinal, save one, lowered the canopy above his head—the only canopy now to be seen covered the throne of Achille Ratti.

Achille Ratti, now Pope Pius XI, faced the most stupendous task that has ever fallen to the lot of an ecclesiastic. The new Pope had played no such part as Rampolla, the Secretary of State under Leo XIII, or Mercier, the national hero of Belgium. The red hat of a Cardinal that he now exchanged for white had been worn for hardly a year. Yet the very fact that he was what politicians call "a dark horse" meant that there must have been something in his personality to warrant so signal a tribute of confidence.

In the Roman Church the clergy are celibate. What Scotland calls the child of the manse is thus impossible, nor are there the definitely clerical homes and families which are grouped,



let us say, around the "close" of an English cathedral. An Italian boy, whatever he is to become, starts life among the laity and breathes the atmosphere of everyday life. Like other ecclesiastics, Pope Pius XI has been subjected to the environment of the most compelling of all professions. The peculiar fascination of his pontificate lies in the fact that, despite all this, he has retained the instincts of a layman. Never has the Supreme Pontiff ceased to be the son of his parents.

The Rattis have always been peasants. But in his bright check trousers and vest, Francesco Ratti rose from a workman to be an employer in the silk industry. If an illustrious son has insisted on veneration for the Virgin Mary, it is, perhaps, no wonder. Gracious, human and matronly, the wife of Francesco Ratti, born Teresa Galli, wears with dignity her ample silk dress with its trimmings of black lace, a woman worthy of the land of madonnas.

There is a little town called Desio, ten miles from Milan. Here there is a whitewashed house, where windows and their shutters look upon a quiet street, and here on May 31, 1857, was born the future Pope. He was one of four sons and there was also a daughter. One brother followed the silk industry at Lyons, another became a station master; Achille was the clever boy of the family, yet who of the neighbors imagined that the day would come when, wearing the papal tiara, this "lad o' pairts," represented by Alberto Dressler, the sculptor, in bronze in a monumental statue, would be seated forever in their midst, the pride of his unpretending birthplace?

Displaying zest for mathematics, the boy Achille interested an uncle, Don Rodolfo, provost and priest of Asso. With its granite quarries, its silk industry and its medieval tower, Asso lies in the Bellagio peninsula that divides Lake Como. Here it was that, with mountains on the horizon, young Achille, influenced by a saintly

pastor, heard the call. Already wearing the spectacles that have become so familiar, we see him, with broad forehead, grave eye and sensitive mouth, a student for the priesthood.

At the seminary in Milan, he arrived with a few simple possessions and, laying aside his usual clothes, arrayed himself for the first time in the soutane. He noticed another youth vainly struggling with an unfamiliar collar. Achille Ratti helped him and Alessandro Lualdi became his firm friend. Together they went to the Lombard College in Rome, and at a gorgeous altar, on Dec. 21, 1879, Achille said his first mass. Little did he think that on its anniversary fifty years later, he would, as Pope, proceed for the first time from his "prison" in the Vatican, and at early dawn, bow his head in prayer within the marble splendors of St. John Lateran.

With Lualdi still his companion, Achille Ratti proceeded with post-graduate courses. Pope Leo XIII had recently founded the Angelico for the study of Thomistic philosophy and the first to win doctors' degrees in this college were Lualdi and Ratti. Often as he passes through the Clementine Hall of the Vatican must the Pope recall that day when he and Lualdi knelt alone as Leo XIII paused to impress on them the duty of promoting a sound philosophy in years to come. As Cardinal Archbishop of Palermo, Lualdi would vote one day for Ratti, as Cardinal Archbishop of Milan, to be made Pope.

Achille Ratti spent a few months in the village of Barni, but the Archbishop of Milan realized that for his "old young man," as he called the scholarly curate, there should be a larger sphere of activity. Although promotion was gratifying, it hardly pointed to the pontificate. In 1882 Achille Ratti became Professor of Sacred Eloquence and Theology at Milan and in 1888 he plunged, as it seemed, out of the world of affairs into the world of books. Until 1912 he labored in the Ambrosian Library at Milan.



He proceeded to Rome, there to be sub-prefect of the still more famous library of the Vatican. For thirty years he was known as a bibliophile, absorbed in manuscripts. There are seventy or more publications standing in his name.

The seclusion of the library was more apparent than real. As an ecclesiastic, Monsignor Ratti was a Roman Catholic; as a scholar and servant of scholarship, he was a citizen of the world. In particular, he came into contact with English culture. At Oxford he browsed in the Bodleian and, in 1914, he attended the seventh centennial of Roger Bacon, addressing the university in Latin on two Baconian manuscripts discovered in Rome. He visited his friend Bishop Casartelli in Manchester and said mass in Westminster Cathedral. At the Vatican, the prefect of the library under whom he served was the English Cardinal Gasquet of Downside College, Bath, reviser of the Vulgate and a scholar of high distinction. Here were contacts which, in due course, would prove to be of great importance.

In another direction, Achille Ratti prepared himself for a great opportunity. In becoming an ecclesiastic, he did not cease to be a business man. In the arrangement of his time, there has been the method which enabled his father to succeed with his silk mills. He received letters and answered them. Nothing was permitted to interfere with the regular discipline of his piety. He saw no reason why an ancient library, with its invaluable treasures, should not be as adequately catalogued as a modern library which distributes fiction. Why should men of learning, having traveled long distances at great expense, spend their time searching for references which ought to be immediately available? For his services to erudition at Milan, the King of Italy, despite the alienation between Church and State, bestowed on him the Order of Saints Maurice and Lazarus. In view of what came later, that also was significant.

The man of books refused to be a bookworm. His scholarship was humanized by service. For thirty years Achille taught the catechism to children in Milan, including the chimney-sweeps who annually come to the city from the Tyrol. Milan is the city of da Vinci's "Last Supper," and as director of the Cenacle, an organization of nuns, Monsignor Ratti, with his innumerable sermons and zealous organization, was beloved and respected for his obvious benevolence and sincerity. Dogma, tradition, research did not stand alone among Achille Ratti's interests. They were consecrated to a parochial purpose.

In quite another field, there are records of physical prowess. From his clerical environment, Ratti would escape at times and, as a mountaineer, assail the most perilous altitudes of the Alps. In 1889, he and another priest, Don Luigi Grasselli, devoted four days and three nights to the first ascent of Monte Rosa from Zumstein. Next year Ratti ascended Mont Blanc, descending to Chamonix by a new route which is now known by his name. The courage of the Alpinist is a virtue that all can understand and are bound to respect.

Accomplished in languages, Achille Ratti was considered, at times, as a possible Nuncio. But it was not until the upheavals of 1918 that he was brought to the forefront. Poland in resurrection had asked for an envoy and the Cardinals were unanimously in favor of sending an envoy. Yet they had no name to suggest. When somebody mentioned Ratti, Pope Benedict XV hesitated. Ratti was a man of admitted distinction but—asked a cautious Pontiff—how was he qualified by experience? The matter must be considered.

Suddenly, Ratti was informed that the mission to Poland was to be entrusted to him. He was as doubtful over the matter as Benedict XV had been, and, anxious to urge his limitations, asked for an audience with that Pope. "Well, and when do you start?"



were the first words of His Holiness; and the matter was decided. As a linguist, Ratti was acquainted both with Polish and with German. As a scholar, he mastered the voluminous dossiers dealing with Poland that had accumulated, and before leaving Rome he prepared a masterly memorandum on the situation that confronted him. That document confirmed the Pope's confidence. In going forth on his mission, Monsignor Ratti stopped for only a day or two at Milan in order to see his aged mother.

At the outset, the mission was a triumphant success. With the Bolsheviks at the gates of Warsaw, the Apostolic Visitant remained in the city and, by his influence, contributed to stability. So manifest was his prestige that his appointment as Nuncio followed as a matter of course. If difficulties arose, it was because the Inter-Allied Commission called upon him to act as High Ecclesiastical Commissioner in Upper Silesia and, when he demurred, would accept no refusal. The duty of umpire is always delicate. In this case, the umpire had to combat nationalism in its most vehement mood. The Poles could only see one side of the case. Monsignor Ratti was there for the express purpose of seeing both sides.

During the war, Pope Benedict XV had to face a similar dilemma. Cardinal Mercier of Malines was strongly pro-ally. His Eminence of Cologne was no less vehement as a supporter of Germany. It was thus laid down by Benedict XV that the Papacy aims at a strict impartiality in international affairs and in seeking to uphold this impartiality, Monsignor Ratti, though exposed for the time being to criticism, was supported by the Vatican. Still, it was fortunate that, in 1921, he should have been removed to a less controversial sphere of duty. He was appointed Cardinal Archbishop of Milan, the city of Ambrose, which had so long been Ratti's home, and where his popularity was so great that he could do no wrong. When he set out

for the Conclave, the Milanese were sure that he would exchange the red robe of a Cardinal for the white robe of a Pope.

In the world that confronts the Roman Catholic Church, science and criticism, claiming to be agencies of truth, have had it their own way. Dogma is denied. Tradition is interrupted. Worship is ignored. Men make merry over miracles and express a polite contempt for the clergy. To Pope Pius XI emancipation has been another name for apostasy, and to the "new Paganism" he has refused to yield so much as an inch of sacred territory. The world is, he says, a "terrifying spectacle." The restraints of wholesome custom are broken down. Marriages are dissolved and homes are shattered. There are wars and rumors of war. There are industrial and financial upheavals. Yet the situation may not have been wholly to the disadvantage of the church. She has always said that an era of reason must be an era of ruin; so it appears to be. When the Roman Empire was in dissolution, the Papacy arose amid the fragments and embodied certain essentials of an ordered and continuous civilization.

On the day of his election, therefore, Pope Pius XI changed the attitude of the Vatican. In warfare with a rebellious world, as he is bound to regard it, he took the offensive. Since 1870, when Italy captured Rome, the Popes as "prisoners" had limited their appearances to the faithful within St. Peter's. Pius XI stood forth on the outer balcony. "It is my desire," he announced to the Cardinals, "that my first benediction should be extended, as a pledge of that peace desired by humanity, not only to Rome, not only to Italy, but to the whole church and the entire world." The challenge was unmistakable.

At the outset of the twentieth century the world was five-sixths monarchist. Today it is three-quarters republican, and even so the monarchies include Great Britain with her com-



monwealth of nations. The Pope has had to recognize that, in his statecraft, he has to deal no longer with princes. He has to make himself understood by peoples. The new democracies may not be as anti-clerical as Russia. But they include, none the less, many millions of citizens who, associating the Papacy with autocratic dynasties, regard the church as a citadel of reaction. In many countries religious orders have been suppressed, education has been secularized, ecclesiastical property has been seized and the link between church and State has been broken.

Pius XI has recognized the new situation. He received King Alfonso of Spain and presented the Golden Rose to the Queen. But when Alfonso, in an astounding oration, promised that the armed forces of his tottering throne would be ready at any time to engage in a holy war for the church, and also hinted that Spain would be gratified to receive one or two Cardinals' hats, the Pope's reply was icy in its implied rebuke and no Cardinals' hats at that time were forthcoming. That the revolution in Spain was accompanied by incendiarism among monastic edifices, the expulsion of Cardinal Segura, Primate and Archbishop of Toledo, the suppression of the Jesuits and other measures, suggestive of Mexican precedents, is quite true. But in this as in other cases, the attitude of the Pope himself has suggested great restraint.

No longer able to depend on the establishment and endowment of religion, the Pope has had to face the fact that he must rely to an increasing extent upon the English-speaking communities where citizenship includes complete religious equality, entire freedom of worship for all churches and full recognition of the right of private judgment. The inauguration of the Irish Free State and the revision of the anti-Roman Accession Oath in Great Britain prepared the way for the historic audience in which the Pope received King George

and Queen Mary on May 9, 1923. In innumerable ways the Pope has revealed his sense of the strategic importance of the English-speaking world. Honors have been paid to the memory of martyrs and missionaries. There have been Eucharistic Congresses, as in Chicago. There is the pledge that no future Pope shall be elected until time has been allowed for American Cardinals to reach Rome and record their votes.

But the application of a spiritual autocracy to democratic civilization involves a paradox. Amid an atmosphere of religious equality and tolerance of all beliefs or none Pope Pius XI has had to maintain the uncompromising attitude of Rome toward all other Christian churches. It is true that he has appealed both to the "schismatic" Christians of the Eastern communions and to the "heretical" Protestants of the West. But in both cases he has invited the "separated" believers obediently to enter the one fold and to submit to the guidance of the one shepherd. Unconditional acceptance of papal authority—this is the requirement.

It means that "reunion," as the term is usually understood, lies outside the range of useful discussion. In the conference of the churches at Stockholm, which dealt with Christian influence, the later conference at Lausanne, which considered the thornier problems of faith and order, and the Jerusalem conference on missions, the Vatican was represented if at all only by observers. The conversations at Malines between Cardinal Mercier and Anglican representatives, including Bishop Gore, were negative in result. When, moreover, the Anglo-Catholic leader, Viscount Halifax—father of Lord Irwin, ex-Viceroy of India—visited Rome, the Pope received him only in public audience at which no intimate conversation was possible.

The Pope has deprecated proselytism by Protestants and has emphasized strongly the enforcement of the rule that the children of mixed mar-



riages shall be brought up as Catholics. Over an organization like the Y. M. C. A. and over Rotary and similar clubs there has been expressed a note of unmistakable warning. The Italian genius which has contributed so largely to the structure of the Papacy is applying all its resources of sagacity to the task of keeping the New World in intimate touch with the Old.

In matters of belief, moreover, the Pope, like his predecessors, has been under the necessity of defending a long and exposed line of communication. The Protestant thinks, at any rate, that he can concentrate upon essentials. But in the Roman apologia there is no position, however inviting to attack and however unimportant in itself, from which defense can be withdrawn. Not one point of dogma or tradition can be cited on which Pius XI has wavered for an instant. On the contrary, he has added various unsuitable works, including all the works of Anatole France, to the *Index Librorum Prohibitorum* and ordered expiation on the centenary of Ernest Renan. When certain thieves, despoiling an altar in Rome, committed sacrilege on the Host, the Pope ordered a similar expiation in every church of the city. The Pope has not acceded, however, to the movement in favor of proclaiming the new dogma, known as "the personal corporeal presence of the Blessed Virgin Mary in Heaven." It may be added that he has condemned superstitions of pagan origin—the horseshoe over a door, for instance—and other ideas of "luck," including the prejudice against the number thirteen.

In defense of the home the Pope has been outspoken and uncompromising. Not only has he insisted upon modesty of dress for women but he has gone so far as to deprecate the pursuit of athletics by girls. In important encyclicals he has restated the claim of the church to supervise education, and her belief that marriage is indissoluble, that birth con-

trol is a sin and that discussions of sex may be a peril. In view of the severity of these views there has been, among Protestants, some allusion to the fact that marriages, while indissoluble, may be annulled or treated as non-existent. The reply of Rome is that, in any event, the number of such annulments is infinitesimal compared with the multitude of divorces.

To fight the good fight for a faith so assured as this of encountering opposition has required courage; and, broadly, it may be said that Pius XI, having studied the records of St. Charles Borromeo, the leader of the counter-reformation in Milan, has decided that prejudice, as he regards it, is best overcome by publicity. About the Grand Lama of Tibet, dwelling remote from the world where people live their lives, there may be the fascination of the unknown. The mystery of a cloistered Pope, gleaming with priceless gems, breathing fragrant incense amid the soft light of glowing candles and pouring forth a saddened soul in secret intercession for an unrepentant mankind, might have made an emotional appeal to countless millions. Deliberately Pius XI stood forth in the light of day. Even in prayer he is photographed. Over the radio installed by Marconi even the mass is broadcast. Every detail of the Supreme Pontiff's day, from the early morning when—so we are assured—he prefers to shave himself with a safety razor, to the late evening when he takes a favorite book with him to bed, is described in countless columns of newspapers throughout the world. It is a great experiment, and it is, definitely, a means to an end.

In Italy the Pope has been confronted not only by the House of Savoy but by fascism. The spiritual and the secular authority were occupying the same field and had to be either partners or rivals. The Catholic party, led by Don Sturzo, was suppressed by the Holy See. But the Pope protested in no uncertain terms against Mussolini's interesting theory



that if it had not been for absorption within the Rome of the Caesars Christianity would have remained an obscure Galilean sect. After much bargaining the now famous Concordat was signed, the King and Queen of Italy visited the Pope and finally Benito Mussolini himself, once radical among radicals, was received in a long private audience by the successor of the Chief Apostle.

The Vatican thus emerged once more as a Papal State. In size, the sovereignty includes only 108 acres, but in organization it is complete. A railway, with a special train, connects with the Italian railways. Airplanes can land. Vatican City has its own coinage, postoffice, telegraph, radio, police, army, courts of law, taxation and flag. Even the ancient artillery has received attention! Under Benedict XV the diplomatic service of the Papacy was greatly developed. That service includes contacts with about thirty countries, and there might arise the very interesting question whether Vatican City, as a political State, is entitled to a seat on the League of Nations.

The Vatican, including the Pope's rooms, has been supplied with a complete system of telephones. For the conduct of business there are typewriters, filing cabinets and all the equipment of an up-to-date office.

In 1870 the Pope, deprived of the revenues of his temporal possessions, refused an annuity from Italy. Under the recent treaty he has received \$52,000,000 in bonds carrying 5 per cent interest and \$39,000,000 in cash. Such money is not without its uses.

That the Papacy as an institution

has been preserved is obvious. But the basis of that institution is the Roman Catholic Church itself. The progress of that church in the modern world, its relation to other churches and to peoples, and its ability to meet the questions naturally arising in reasonable minds, are factors which cannot be excluded from any speculation about the future. A missionary exhibition at the Vatican of impressive variety has emphasized the evangelistic crusade of the church in "heathen" lands, and the Pope has had to consider a problem which also perplexes Protestant communions. How far is it possible, here and now, to develop, let us say, in Africa or India an indigenous, as distinct from a Western, hierarchy and priesthood?

It is not true that, in the ordinary sense of the term, Pope Pius XI is a reactionary. If he has banned Anatole France, so also has he condemned Léon Daudet, *L'Action Française* and the violent royalists within the French Republic. It has been noticed at the Vatican that aristocratic visitors frequently enjoy the briefest of audiences. Some humble monk, on the other hand, who is engaged in the real work of religion may be closeted with the Pope far beyond his allotted time. While condemning communism, the Pope has spoken plainly and sensibly on questions of capital and labor. He stands for peace and desires disarmament. When the Genoa Conference was called he prayed for its success and in many ways he has sought to mitigate the excesses of nationalism which are troubling Europe. It will not be denied that his Pontificate has made a difference.



# Soviet Recognition of the Intellectual

By LOUIS FISCHER

Author of "The Soviets in World Affairs"

WITH the suddenness which characterizes many Soviet events, the sun has commenced to shine on Russia's intelligentsia. A pronouncement by Stalin drove the clouds away. For the first time since the 1917 revolution the Bolsheviks are eagerly occupying themselves with the welfare of the engineer, the scientist, the teacher, the physician and the white-collar intellectual class generally. Out of a sky black with persecution of the mental workers has appeared a brightness which is improving their lot, safeguarding them from the suspicion of overzealous crusaders and granting them an enviable position of social equality.

Ever since the Communist rise to power fifteen years ago, the Russian brain-workers have been considered a class apart, a potentially or actively hostile class to be tolerated only because nothing could move without it, but to be watched carefully, frightened into submission and punished for every mistake or offense. A deep chasm of conflicting psychologies accounts, in considerable degree, for this strained relationship between Communist and intellectual. The Bolshevik is above all a man of action. Once his decision has been reached, once a course of procedure has been mapped out for him, no mental wavering deters him. Self-confident, extremist, positive in his beliefs, optimistic in his outlook, the Communist detests delay, adores speed, exults in his will and trusts in his ultimate success.

How different the typical Russian intellectual! The classic writers of Russian literature—Tolstoy, Chekhov,

Goncharov, Turgenev and especially Dostoevsky—have pictured him as a man torn by doubt and paralyzed into passivity by a meticulous balancing of the scales of right and wrong. He can dispute into the small hours of the morning, as the brothers Karamazov did, about the existence of a deity and arrive at no decision. Raskolnikov in Dostoevsky's *Crime and Punishment* tortured his soul for days and weeks before he could make up his mind to kill the old woman for her money. Having finally mustered sufficient determination to commit the crime, he was able, however, to steal only a small part of her hoard. Even then, after many more mental trials, he surrendered himself to the police.

The Bolsheviks scorned the typical pre-revolutionary intellectual for his ineffectiveness, his vague idealism, his subjective, introverted approach to life and his extreme individualism. Between the rough-hewn, burly, crude-worded workers and the intelligentsia of delicate tastes and fine manners no bridge could have existed in pre-war days. Nor could the revolution easily have forged a bond. Politically, the majority of the intelligentsia leaned toward moderation and evolution. Highly cultured and widely read, they looked to the liberal West for inspiration. There were well-known exceptions: Lenin, Trotsky, Bukharin, Lunacharsky, Alexandra Kollontai, Zinoviev, Kamenev and a considerable group of lesser luminaries marched under the banner of bolshevism and became leaders of the proletariat. But nothing could make communism palatable to the majority of the intellectuals.

The professional class of Russia did



not side with the Communists when they seized power, nor aid the Soviets when they began to entrench themselves. For the most part the Bolshevik régime was regarded as a brief, distasteful interregnum; only those intellectuals who could not help themselves assisted the Soviet Government in its long struggle against the "White" counter-revolutionary armies and foreign interventionists. From 1917 to 1921, while the Bolsheviks strained every muscle to beat back the invader, the Russian intelligentsia sat still in scoffing neutrality or abetted the bourgeois enemies of communism. This opposition obviously did nothing to bridge the psychological and social gap between the two groups.

The fate of the Russian intellectual after peace came in 1921 was a sad one. He had lost his old world and could not fit into the new. He abhorred the methods and principles of the Bolsheviks and frequently detested himself for being forced by material want to become an intellectual mercenary of sovietism. Strange things happened. He who had always tended toward free thought took to religion as a balm and to anti-Semitism as a vent. Somewhere he had to pour out his passion, his yearning for the intangible, and that somewhere was naturally in an institution reviled and disliked by the Bolsheviks—the church.

Conditions grew worse as time went on. First came a struggle within the intelligentsia itself as its younger members were to some extent captured by the romance of the revolution and the possibility it offered of doing big things. Families were split up, for the new generation courted the new régime, while the old was apathetic or recalcitrant. An engineer assigned by the government to some great task of industrial reconstruction, however, soon appreciated the vision of the State, the broad scope and sweep of its actions. He began to understand and to sympathize with

the Bolsheviks. He saw that Moscow, though semi-starved and pinched, was devoting every available ounce of energy to the elimination of adult illiteracy, to the introduction of compulsory universal education and to the spread of scientific knowledge. The teacher was impressed and, finding application for his enthusiasm, often shed his prejudices. The physician saw the advantages of nationalized medicine. He suffered from the shrinking of private practice but respected himself more, in true Russian intellectual fashion, because he no longer had to take fees from the individual for performing a professional duty.

If in this period—say, between 1922 and 1927—the Bolshevik régime had tried to win the sympathies of the intelligentsia, it might have achieved signal success. But apparently the Soviet Government made no concerted effort in this direction; on the contrary, the Kremlin pursued tactics calculated to alienate and embitter. The engineer on an important building project was not trusted and was subordinated to an inexperienced Communist. The bureaucratic maze handicapped the physician. A newly graduated teacher who professed Marxism displaced a veteran bourgeois scholar in the university. The youngster's advanced political ideas assured him a position he could never have attained with his limited knowledge and experience. More often than not these irritating practices were accompanied by the Bolsheviks' usual lack of tact. The revolution could not stop to consider the tender feelings of an intellectual.

Stalin's struggle against the Trotsky opposition dovetails with the troubles of the intelligentsia. Trotsky, Zinoviev, Kamenev, Rakovsky, Radek and others lost their influence in the Communist party for involved social and economic reasons, but it is no accident that their dismissal coincided with the aggrandizement of proletarian power in Soviet affairs. Year



by year the purely working-class character of the Communist party grew stronger until even Marxist intellectuals experienced considerable difficulty in obtaining a party ticket. Finely chiseled minds like Trotsky's and Bukharin's no longer appeal to the rank-and-file Communists. Stalin, direct, determined, with nerves of steel and an adamant will, is much more the expression of the million factory workers in the Communist organization than Trotsky with his beautiful oratory, dramatic manner and finely spun theories.

The eclipse of the Trotsky faction in 1927 and its supersession by a group of leaders possessing much less foreign experience and culture than the old intellectual Bolsheviks probably had a marked effect on the status of the Russian intelligentsia. More even than before the needs of the factory worker became law, while the requirements and grumblings of the brain worker were ignored. In 1928, 1929 and 1930 the Bolsheviks were, moreover, obsessed by the fear of foreign invasion. They saw capitalist armies marching to their frontiers, drowning the nation in blood and striking at the roots of the Soviet system. This threat of outside aggression increased the antagonism between the Bolsheviks and the intellectuals, for the former suspected that at the moment of foreign invasion the intelligentsia would unite with the enemy. To cap the climax, the Five-Year Plan, inaugurated in 1928, produced many practical hardships. Vast capital investments for the construction of several hundred industrial units caused a shortage of food and clothes. While living conditions became worse, the population was asked to work more intensely for the fulfillment of the Five-Year Plan. "Why should we?" many asked themselves. "It is not our government. Sacrifices are demanded and at the same time harsh treatment is meted out to us."

The cumulative effect of all these

circumstances was to make the intelligentsia bitterly and actively anti-Soviet, so that in 1929, when agrarian collectivization disaffected millions of peasants, the intellectuals believed that the Soviet Government was about to collapse. During the first three months of 1930 Stalin expected foreign military intervention. The atmosphere grew tense. Intellectuals and Bolsheviks acted nervously. Then—in December, 1930—came the famous trial of the eight Soviet engineers on three charges—economic sabotage, the organization of a secret political party and conspiracy with France to invade Russia with a view to overthrowing the Soviet régime. Six of the defendants were sentenced to death, the others to from two to ten years' imprisonment.

This much discussed prosecution of Professor Ramzin and his colleagues inaugurated a veritable reign of terror against the intelligentsia. Nobody regarded himself as beyond suspicion. Men and women lived in daily dread of arrest. Thousands were exiled to distant parts of the country. Evidence was not necessary—the title of engineer served as sufficient condemnation. The jails were filled. Factories languished from lack of technical leadership, and the chiefs of the Supreme Economic Council began to complain that, by its wholesale arrests of engineers, the G. P. U. (the political police) was interfering with industrial progress.

Surely 1930 was the blackest year for the intelligentsia under the Soviet régime. But 1931 brought a sharp change for the better. Apparently, conditions had to become as bad as possible before they could begin to improve. Today Russia's educated class is coming into its own. It breathes more freely. The new policy was announced by Stalin in his historic speech on June 23, 1931, and is the Magna Charta, so to speak, of the Soviet intelligentsia. Previously the orthodox Bolshevik, or at least the

ordinary worker, might have imagined that the intellectual was a nuisance of which he would sooner or later be relieved. But Stalin declared that "no ruling class has yet managed to get along without its own intellectuals. The problem is not to discourage these comrades."

Even the old bourgeois specialists inherited by bolshevism from the Czarist régime, Stalin insisted, must receive better treatment. The Bolsheviks must pursue a policy of "attracting it [the intelligentsia] to us, and of concerning ourselves with its welfare." There would be no more persecution of engineers. "'Specialist-baiting' has always been considered and continues to be a harmful and shameful manifestation," Stalin asserted emphatically. His words were soon translated into law. A government decree published on Aug. 1, 1931, made engineers and technical personnel the equals of factory workers in all material respects. They were accorded the same food and clothing rations and the same privileges in obtaining new apartments, as well as places in Soviet sanatoria and rest homes. Their income taxes were to be reduced. An extra room for study at home would be granted to each engineer. And, above all, the children of the technical intelligentsia were permitted to be enrolled in schools on equal terms with the children of industrial proletarians.

The Soviet intellectuals hailed this decree as epoch-making, for it not only yielded vast material advantages but made them the equal of the workers who constitute the aristocracy of the Soviet Union. The acceptance by the Bolsheviks of such a principle must have far-reaching social consequences. It is a guarantee that the changes in the position of the educated classes are neither transitory nor accidental.

Such a reversal of Soviet policy seemed to Bolshevik leaders to require a reshuffling in the personnel of the

G. P. U., whose net has often caught many innocent engineers with those who were guilty. The real master in the G. P. U., it is said, is now Akulov, a newcomer in its ranks. A Bolshevik of the old iron guard, he is very conscious of the needs of a growing industry and too good a Communist ever to permit his organization to become an exclusive clique rather than a disciplined arm of the Soviet State. Other shifts in the higher ranks of the G. P. U. include the demotion or dismissal of those who are regarded as responsible for the wholesale arrests of engineers during the past year.

A marked improvement in the lot of Russia's intelligentsia immediately followed. Large numbers of engineers were released from jail or recalled from exile, and today few, if any, are being arrested. The concrete benefits promised by the decree of last August are being dispensed with a dispatch that is rare in Russia. The press is merciless in howling down any bureaucrat who dares to deprive an engineer of even a small fraction of his new rights. Non-Communist physicians and technical men have been promoted to the highest positions of trust. Many engineers are being awarded the Order of Lenin and other Soviet distinctions. Clubs and museums for scientists are being organized. The wages of teachers have been raised, and the schools are already attracting persons who formerly sought more remunerative employment. Where previously the intellectual hesitated before lifting his voice in complaint, he has now been endowed with new courage, and every government office lends him an attentive ear.

Nikolai Krylenko, Commissar of Justice, in a recent speech endorsed the principle of equality between factory workers and engineers and told of a case in which he had dismissed and then arrested a provincial prosecuting attorney for taking legal action against several engineers without suf-



ficient incriminating evidence. Certain Russians have always regarded Krylenko as their inquisitor. At the Shakhti trial, in 1928, and at the more recent Ramzin trial Krylenko had made a point of denoting by word and grimace his contempt for the accused engineers and the intellectual world in which they lived. He had offered them no mercy and no quarter. In demanding death sentences he had talked as if the accused were so much vermin that had to be exterminated. And now he, the symbol of "specialist-baiting," advocates an improved status for Soviet specialists.

Even more noteworthy was a recent article in the official Moscow journal, *Izvestia*, by Arnold Soltz, a member of the pivotal Central Control Committee and one of the leading legal minds of the Soviet Union. "We are not accustomed to value the human being sufficiently," Soltz complains, pointing out that to withdraw men from important posts in industry and the civil service by arresting and sentencing them without adequate justification has caused the State tremendous loss. He condemned the practice, and thereby implied a criticism of the authorities who have deprived Soviet institutions of thousands of indispensable employes by thrusting them into prison. The fact that Soltz's strictures appeared at this juncture and in a government newspaper is of significance.

These criticisms, confessions, decrees and speeches and the reshuffling of staffs reflect an improvement in the internal and the international situation of the Soviet Government. Greater freedom to engineers could never have been granted and the G. P. U. would never have been reorganized if the political atmosphere had remained as tense as it was in 1930. Every one in Russia is today conscious of a definite and welcome relaxation. But the intelligentsia's rising respect for the Bolsheviks is an important contributing factor. The intellectuals

were startled when the State overcame numerous very serious economic difficulties which seemed to them to threaten the régime with disaster. They were surprised and impressed when events demonstrated the practicability of the Five-Year Plan.

The tremendous construction activity now proceeding in the Soviet Union has produced a further change. The Russian engineer was usually an office fixture who drafted schemes for lesser people to carry out. He was an intellectual, pure and simple. Foreign experts are lavish in their praise of Russian technical plans, but maintain, with justice, that the Russian engineer is weak in execution. The demands of Soviet industrialization, however, are sending the engineer out into the factory and the coalfield, where he comes into contact with workers. Sometimes the knowledge resulting from this closer touch is not conducive to friendship. But more often it results in mutual understanding and appreciation, and bonds are created between the laboring and the intellectual class. The intellectual begins to realize that the proletarian is not an ignorant good-for-nothing whose specialties are vodka and vile oaths, and the worker sees that the engineer is his associate who has as difficult a task as his own, is just as ready to make sacrifices for the State, and therefore deserves better treatment than he has enjoyed since the Bolshevik revolution.

The gap between the two groups is narrowed still further by the new intellectuals whom the universities are now graduating in thousands. Many of them have been workers, and very often are imbued with Soviet ideas. Scores of schools are turning them out in double-quick time, and soon this post-revolutionary vintage will outnumber the pre-war old guard. The Bolsheviks trust that all these developments will ultimately heal the breach between manual and mental labor.

# The Fate of a Gamblers' Civilization

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By NORMAN THOMAS

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[The publication in April *CURRENT HISTORY* of Professor Thomas Nixon Carver's article, entitled "Capitalism Survives," has evoked the following reply from Norman Thomas, who is the recognized leader of the Socialist movement in America and who expresses a point of view which, in one form or another, is being constantly put forward in the discussion of our present economic difficulties. His opinions, while the most keenly disputed of all, may be regarded as authoritatively representing the attitude of those who believe in the need for much more drastic changes than are thought necessary by Professor Carver. Mr. Thomas, a graduate of Princeton University and of Union Theological Seminary, after serving for several years as a Presbyterian minister, in 1922 became director of the League for Industrial Democracy. In the Presidential campaign of 1928 he was the candidate of the Socialist party. In a volume entitled *As I See It* (New York: The Macmillan Company, \$2), which has just been published, Mr. Thomas enlarges upon various aspects of his social and economic philosophy.]

THERE is always something a little arbitrary about the dates which divide historical epochs. On the morning after the particular one of Rome's falls which generations of school children have been taught was *the* fall of Rome I suspect that the survivors woke up and said: "Well, I see Tammany has won again." It was the historians who gave the date its great significance.

By the same token I do not think that any of us can anticipate the verdict of history and name the precise date which for convenience will be taken as marking the fall of capitalism. It is not the purpose of this article to prophesy how and when we shall crawl out of the depth of the

present depression. Indeed, we may have a considerable recovery of industrial activity in America without genuine prosperity and certainly without any return of the gamblers' paradise which passed for prosperity in the early part of 1929. Some degree of recovery before another crisis in another seven years is cold comfort for those who want to believe in the durability of our present capitalism. The doom of capitalism is certain even if, as in Germany, it has shown a tenacity of life, or at least of existence, like the proverbial cat's.

The possibilities of the next generation include drift to sheer and overwhelming disaster, fascism, socialism or communism. They do not include the survival of our present chaotic capitalism in which mergers grow apace while men still talk the language of individualism. Fascism is economically a form of capitalism and the only form which offers capitalism contemporary hope of survival. The survival will not be long even in this last phase of capitalism.

Why am I so certain that capitalism is doomed? For very definite reasons which can be categorically set forth. These reasons, it will be observed, are not wholly economic in the narrow sense of the word. They have to do also with the psychological and political situation which accompanies capitalism in our present world. The sickness of the acquisitive society lies partly in the paralysis that it imposes on the intelligence and the will even of its beneficiaries in the hour of emergency.



I. Capitalism is doomed because obviously, whatever may have been its historical function, it is today unable to control our immense mechanical equipment for security rather than insecurity, for plenty rather than poverty, for life rather than death. A great deal of ink and many words have been wasted on the familiar argument that with all its faults we have in the aggregate under capitalism more things than any generation. Thus, I once heard a speaker tell how many more baths the average American worker could take than Henry VIII. All this is ludicrously beside the point. What the workers have a right to demand of the machine age is not that it will give them more bathrooms than Henry VIII had for his troublous domestic establishment; they have a right to ask that machinery will conquer poverty rather than increase insecurity. A generation which lacks the tools to conquer poverty cannot be charged with the crime that rests upon our heads who have the machinery and resources once and for all to abolish the dark kingdom of poverty. Not only have we not abolished poverty but we have actually increased insecurity. In simpler times a farmer or an artisan might be poor, but he did not have to fear the deadline of 40 to 45. He did not know the meaning of cyclical and technological unemployment. He was sure as a matter of right and not of charity of some place in the scheme of things and in the social order. It is this that the machine age denies him under capitalist control.

The present failure of capitalism to supply reasonable economic security is more disastrous to it than previous failures, partly because these failures are cumulative in effect and in the light of the Russian experience seem increasingly unnecessary to their victims, and partly because this present depression follows so closely upon an era of wild boasting about everlasting prosperity. The business leaders and their political allies who talked loud-

est about the conquest of poverty now seem most impotent. They discover reasons for our plight which may be sound, at least in part, but which they never told us about in 1928 when the Hoover ideal was a chicken in every pot and two cars in every garage and when John J. Raskob, who still holds the first mortgage on the Democratic party, discoursed on the crime of poverty in the *Ladies' Home Journal*.

Never were what Socialists have been accustomed to call the inherent contradictions of capitalism so apparent as they are today. No one has given us the slightest reason in theory, to say nothing of practice, to expect our chaotic capitalism to conquer unemployment, and it has proved itself neither willing nor capable of effective relief for the army of 10,000,000 unemployed and their dependents.

Take, for example, the matter of technological unemployment. It is all very well to say that in the long run, even under capitalism, new machinery makes it possible to have more things with less hours of toil and that therefore it makes for more jobs. But men and women and children eat not in the long run but in the short run. In the short run, especially during great spurts of mechanical energy, the underdog has always paid for these improvements of which we boast. Only in times of a rapidly expanding market, for instance, for automobiles, can labor-saving machinery be put in without reducing the working force. Ordinarily a great corporation only installs machinery to reduce its payroll. The rate of introduction of machines is controlled by the hope for profit. Technological unemployment can only be cured when the rate of introduction of machinery is controlled by a conscious purpose either of absorbing displaced workers in new industries, or shortening the working week, or both, and that requires social ownership and planning. Nothing else will ever abolish cyclical unemployment.

I am increasingly persuaded that the present depression is no ordinary

manifestation of the business cycle or of the periodic underconsumption which inevitably characterizes a capitalism motivated by a wild desire for profit in which consumers in the aggregate cannot buy back the equivalent of what as workers they produce. This depression is aggravated by the effects of growing technological unemployment, by war and its aftermath, and in particular, by the crazy policy of seeking prosperity through piling up debts to which Lawrence Dennis has recently so brilliantly called our attention. But both the basic cause of the depression and its aggravating features are inherent in capitalism, which could not possibly apply the remedies Mr. Dennis and others propose and remain psychologically or even economically itself. I grant that theoretically and to some extent practically a Fascist type of capitalism might bring about a certain degree of stabilization and economic security. It cannot, however, solve our fundamental problem because it will keep the profit motive and accentuate nationalism. Besides, many of the academic defenders of capitalism, like Professor Carver of Harvard, defend it in terms quite incompatible with fascism.

II. Capitalism is doomed because of its well-nigh complete lack of standards and sanctions, intellectual or ethical. Any social order may run on for a good while simply by momentum along habitual lines. The world can stand a great deal of inconsistency. But never yet has any civilization endured with no philosophy but a superficial pragmatism. Indeed, our capitalism has already come to a point where it cannot be justified by a superficial pragmatism because it does *not* work. Men do need a social philosophy, and this our generation lacks. If a cosmic jester presides over our affairs he perpetrated one of his choicest jests when he forced Herbert Hoover, preacher of rugged individualism, to practice the exact opposite and to associate his name with a series

of measures from high tariffs to farm relief and bankers' relief which, whether wise or unwise, are all in direct denial of any logical principle of economic individualism. President Hoover, however, does not stand alone in preaching one thing and practicing its opposite.

The defense of capitalism is in terms of an individualism or an assumed power of voluntary choice which is increasingly denied by the facts. Professor Means has shown that 200 corporations control 48 per cent of the business wealth of the country. These corporations are controlled in turn by less than 2,000 directors, most of whom do not direct. The control over financial capital is highly centralized in Wall Street. This is collectivism with a vengeance. That it is also a stupid and chaotic collectivism does not alter the fact. It is quite true that our monopolists or near-monopolists cannot use their power even for their own good, much less society's, in this stage of capitalism. Nevertheless, what we have is collectivism, and the debate between socialism and capitalism is not a debate of collectivism versus individualism. It concerns the quality and kind and purpose of collectivism.

Capitalism's lack of intellectual and ethical sanction is more appallingly evident when we consider the divorce between ownership and responsibility. Once a captain of industry at least had to have a certain shrewdness to retain what he had acquired. All that an absentee owner needs is to be reasonably lucky in picking his stocks. Once it was possible to argue that there was some correspondence between the deed and the reward. Today it would be impossible to match the list of great fortunes in America with any substantial achievement of their possessors. In the field of work as distinguished from business they are at best successful manipulators wholly dependent on engineers and executives whom they hire for any constructive achieve-



ments. The few exceptions to this generalization only prove the rule.

We have gone so far in making success measured in terms of money our God, that we have no moral standards to which to appeal in our warfare against the underworld. Illegal racketeering flourishes because the racketeers themselves and the public see little or no moral difference between illegal racketeering and the legitimized racketeering of bankers which Mr. Dennis discusses so caustically in his book, *Is Capitalism Doomed?* I remember a curious experience of my own which illustrates my point. Once I was waiting in the office of a local Justice Shallow, who presided over the peace, in company with a philosophical policeman who somewhat unwillingly had arrested me in a case involving the right of striking workers to organize and to meet peacefully. Thus my friend the policeman moralized: "Mr. Thomas, what you was doing was moral, all right. I don't know whether it was legal. Some things is moral that ain't legal and some things is legal that ain't moral, and what's a poor cop going to do about it?" Capitalism is dangerously poisoned by the extension of this doubt throughout society.

III. Capitalism is doomed because it either is compelled to accept war as a way out of its economic difficulties or is impotent to avoid it. There was a time not so long ago when it looked as if international capitalism might make for international peace, however much it might accentuate class war. That time is past. Capitalism still has its international manifestations, many of which have become exceedingly unpopular among the masses. In general, however, capitalism has chosen the road of nationalism. So enlightened a defender of a largely impossible capitalism as Mr. Dennis very markedly shows this tendency. Less brilliant men show it in their choice of high tariffs all over the world. They show it in their acceptance of great armaments. They show

it in their marked tendency to try to save themselves by fascism.

I use the word "fascism" rather broadly to cover that phase of capitalism in which we have an immense organization of capitalist trade associations or syndicates rigorously regulated by the State which still keeps, however, the concept of private property in the means of production and the institutions of profit, rent and interest. The Swope plan clearly points to an American fascism. Now such a fascism, whether Mr. Swope intends it or not, to be made palatable to the workers must give them the very heady wine of nationalism which Mussolini has used effectively in Italy and which Hitler uses in an even more dangerous way in Germany. That is to say, fourteen years after the end of a war which revealed the hideous dangers of rampant nationalism, capitalism is in closer alliance than ever before with nationalism. How else can one explain the triumph of the National Government in the last British election?

Nor is this all. The very depth of this depression steadily weakens men's resistance to war. Farmers and workers all over the world remember that in wartime those who were not in the trenches were pretty well off. It is better to fight a visible human enemy than to fight poverty. Indeed, it is only war with its immense inflations of demand and of credit which from a capitalist point of view offers an easy way out to a system broken under the pile of debts it has heaped up. I have said "only war." Perhaps that is an exaggeration. Mr. Dennis may be right theoretically in saying that a sufficiently heavy confiscation of the property and the property claims of an owning class by taxation could save capitalism, at least for a time. I have my doubts even on purely economic grounds and I am certain, as I suspect Mr. Dennis is, that psychologically American capitalism will never accept the degree of taxation he proposes. It does not follow that it

will be candid enough consciously to seek a new large-scale war. It will seek those policies and adopt those attitudes which lead to such war even if at the last minute the more enlightened of our capitalists shrink with horror from the abyss to which their own policies and the more forthright imperialism of their military allies sweep them on.

There are, therefore, the four possibilities before us which I have already mentioned:

1. Sheer catastrophe under the heaped-up pressure of burdens and strains under which our capitalist nationalism already totters. Pure drift is drift to such disaster, probably in the form of new world war, the possibilities of which for destruction of men and women and all they hold dear can scarcely be exaggerated.

2. A fascism which can only postpone catastrophe, a kind of Indian Summer of capitalism which the rise of an American Mussolini with the aid of certain industrialists might bring to pass in our country.

3. Communism, which by its own creed can come only out of catastrophe and which logically will require the most rigorous dictatorship to put into effect.

4. Socialism, which believes that there is still time to improve and extend rather than scrap democracy, and to make itself an alternative to, rather than a consequence of, world catastrophe. This cannot happen without a tremendous effort by organized workers with hand and brain who in America are only beginning to awake. It is nevertheless the one hope of a world which wants to escape a generation if not a century of disaster.

This analysis is, I think, a conclusive answer to Professor Carver's dogmatic assertion "Capitalism Survives" in the April issue of *CURRENT HISTORY*. Professor Carver assumes that we still have time to choose between a system of voluntary agreement among free citizens and some form of collectivism. He also assumes

that the choice can only be between "one economic system [which] is carried on by contract and the other by authority." He is wrong at both points. Our present economic system in America is scarcely being carried on at all. It is drifting on and the element of genuine voluntary agreement is far smaller than he thinks. Unemployed workers or workers who accept almost any working conditions in order to keep work, coal miners groaning under a system which embodies the worst features of capitalism and feudalism, farmers crushed by a weight of debt, are in no real sense economically free agents. It cannot even be said of great masses of men in America that they can be sure of legal justice.

On the other hand, even in Russia with all its elements of coercion, it is not true that the economic system is a system of command and punishment buttressed by the psychology of the army. It is a system in which the free support of the workers for their own advantage is increasingly being won. It is a system which rewards men not only by honor but even by some difference in material remuneration, and it is a system which has pretty successfully got rid of unemployment. It is quite true that previous conditions in Russia and its industrial backwardness have made elements of coercion very important in its development. It is also true that these same elements of coercion raise great problems for the future. They will not, however, indefinitely keep a hungry world in the midst of potential plenty from trying the Communist road unless a better road can be found. It is academic nonsense to claim that there is any chance of finding it by the voluntary agreements of an already defunct earlier stage of individualistic capitalism.

Professor Carver's rather shopworn refutation of the Marxian theory of the concentration of wealth and the increase of misery takes insufficient account of the present situation and



is beside the point. China which heretofore has lacked machinery may be poorer than the United States which has it. That means very little to 10,000,000 unemployed workers. It is no argument at all against the collective ownership and management for use and not profit of those resources and that machinery which make great wealth possible.

In a dark and troubled world there is this element of hope—not only the experience of Russia but our observation of what is going on round about us shows that men will work under other motives than hope of profit or fear of punishment. They will work because of the natural and ethical insistence that every able-bodied person must work if he would eat. The most important men in our society—artists, scientists, even engineers—will work for the joy of self-expression and constructive achievement. Their work ought to find a more secure material reward than capital-

ism affords them. Men will work, moreover, as they always have worked because mutual aid is a factor in human evolution and in human life. On these incentives at a time when capitalism is breaking down we can build.

The amazing patience of the workers and their fear of precipitating civil war, phenomena which so far have checked the growth of communism in over-ripe capitalist countries like Germany, Great Britain and the United States, may offer us time to carry on the struggle for a classless society by methods which avoid the wholesale catastrophe which communism accepts as inevitable. This is the hope of socialism, a hope which I have not space to discuss, but which I want to leave with the reader who cannot escape the conviction that the sands in the hour-glass are running very low for that curious gamblers' civilization into which American capitalism has developed.

# The American Writer Loses Faith

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By V. F. CALVERTON  
*Editor of The Modern Quarterly*

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NO literature has revealed such sharp and striking change in spirit as American literature in the last hundred years. Almost every American critic of importance in our day has endeavored to explain the origin and nature of that change. The latest attempt has been made by Ludwig Lewisohn who, in his new book, *Expression in America* (New York: Harper & Brothers, 1932. \$4) accounts for it mainly in terms of our successful revolt against the dominance of Puritanism. Whatever the cause, one thing is obvious and that is that American literature has swung from one extreme to another, from an ardent belief in the individual to a fatalistic worship of forces, from the sunrise of optimism to the darkness of despair. A literature saturated in romanticism throughout most of the nineteenth century has become one of the most realistic. The most moral literature in the world in the nineteenth century, surpassing even Victorian literature in its ethical condescension, it has become one of the most unmoral in the world, exploring every extreme of impulse and perversion in its psychological sweep.

There are two ways of interpreting this literary revolution; one, that it is, as Ludwig Lewisohn contends in his new volume, the product of the creative intelligence of American men of letters, the result of their revolt against "the moral quality of American life"; or secondly, that it is the product of a change in social life which in turn has revolutionized the outlook of American men of letters.

Mr. Lewisohn is certain that sig-

nificant changes in literature are determined by inner forces rather than outer, and that it is that "inner fact \* \* \* of individual consciousness" on the part of the "essential poet" which releases a literature and a people from the spiritual bondage of the material world. The "essential poet," in Mr. Lewisohn's opinion, is untrammelled by the realities of space and time. He pierces beneath them, to their secret core, as it were, and transmutes his individual experience into the universal substance of the spirit. Mr. Lewisohn, as he states in his introduction, is very much of a Freudian, and in his stress upon spirit he is undoubtedly driving close to the Freudian theory of the immutable instincts. At all events, he is unalterably convinced that it is the "essential poet," living in the spaceless world of the spirit, who helps "us across ages and across revolutions in morals, religions, economic systems."

The error in Mr. Lewisohn's hypothesis lies in the fact that examinations of those "essential poets" who possess what he describes as "the true marks of the creative spirit" have revealed always the opposite of what he contends. They invariably have been found to be as much a product of the age in which they have lived, subject to the same time and space limitations of the period, as have the lesser poets of the time. They have differed from the latter primarily in their greater artistic gift and genius. While we should give full credit to their artistic genius, we are forced to admit that we cannot explain its origin or content except in terms of



its historical appearance, or account for its direction save in terms of the social forces active at the time. Consequently, if Mr. Lewisohn's approach is followed, it becomes impossible for us to understand the historical development of a literature. While Mr. Lewisohn by virtue of an exquisite style may make it possible for us to re-experience the purely esthetic elements in a literature, he cannot by means of his interpretation bring us at all close to an understanding of its historical roots. Although effective as an esthetic evaluation, *Expression in America* leaves the historical problems of American literature unsolved.

To explain a change such as has occurred in the character of American literature in the last hundred years necessitates a social approach rather than an esthetic one. The rise of American realism provides the first clue as to the nature of the relationship between literary output and social change. Realism, a late growth in American literature, appeared first in the West; even there it developed only when the conditions of life provoked its appearance.

Edward Eggleston, who is usually accredited with having inaugurated the realistic movement in American literature, was a Westerner, a native of Indiana. In his books, *The Hoosier Schoolmaster* and *The Hoosier Schoolboy*, he began that portrayal of the West which was to reveal, in frank forthright terms, the change that had come over it after the Civil War and which was to be described in even more brutal detail by the realists who followed him—Hamlin Garland, E. W. Howe, Frank Norris, Theodore Dreiser and Sinclair Lewis. Before Eggleston, the West had expressed itself in the expanding form of the comic tradition. It was the spirit of Davy Crockett and Mike Fink which predominated there in those days. A trace of the impact of the old West American humor, reaching its highest achievement in Mark Twain, arose

and swept over the nation. Eggleston's fiction marked the beginning of the end of that tradition, and at the same time the beginning of the rise of the new tradition which was to follow.

Already the West, which had promised utopia to the pioneers of the earlier days, was beginning to close in upon itself, and before the end of the century the privation and desolation which ensued was to find literary embodiment in the early novels of William Dean Howells, *Annie Kilburn*, *A Hazard of New Fortunes*, *The Quality of Mercy* and *The World of Chance*, and in the novels of Frank Norris, particularly *The Octopus* and *The Pit*. Norris, to be sure, carried the realistic tradition much further than Howells, and in his picture of the West revealed more of the nature of the forces at work in the frontier environment than had his predecessor.

In the next decade Theodore Dreiser, especially in his autobiographical works, was to further that tendency. Dreiser, like Mark Twain, had started forth with the optimism characteristic of the spirit of the early frontier. In later years, describing his youthful reaction to his native environment, he declared that "to me it seemed that all the spirit of rural America, its idealism, its dreams, the passion of a Brown, the courage and patience of a Lincoln, the dreams and courage of a Lee or a Jackson were all here." But Pittsburgh put an end to all that. Pittsburgh, where Dreiser saw the blast furnaces, and witnessed men like human ingots lost in the molten process of making steel, came to stand for him as a symbol of industrialism in action. "The very soil," he wrote, alluding again to the Western country, "smacked of American idealism and faith, a fixedness in sentimental and purely imaginative American tradition in which I, alas, could not share—I had seen Pittsburgh." What Dreiser realized, and what has been manifest in all his fiction, was that industry has become stronger than

the individual, that forces have become stronger than men, that things have become stronger than wills.

The work of Sherwood Anderson has been dominated by something of the same philosophy. Beginning with his first novel, *Windy McPherson's Son*, and extending to his recent book, *Hello Towns*, Anderson has continued to deal with the same theme which has occupied the attention of the Western realists—namely, the change which has come over the West with the coming of industrialism.

In the satiric novels of Sinclair Lewis, especially in *Main Street* and *Babbitt*, that realism has made its greatest advance. Lewis, in fact, has written the saga of the changing West, revealing in satiric form what has happened to the former frontier regions once populated by pioneer types fresh with inexhaustible energy and optimism.

American realism, then, sprang up out of the changed conditions of life in the West, which robbed the romantic approach of its strength of appeal. The romantic enthusiasm of Emerson and Whitman, who looked upon the West as a haven for democracy, the place where, for the first time in their lives, as Emerson stressed, "men in their shirt-sleeves were constructing a civilization"—that West disappeared and was superseded by a West devoid of free land, mortgaged to Eastern financiers, and exploited by the railroads, a West which could inspire E. W. Howe to write his *Story of a Country Town* and Sinclair Lewis to write *Main Street*, but which could not restore the earlier optimism of the young Mark Twain. Influenced by that same change, the great humorist who had written *Tom Sawyer* developed into one of the most incorrigible pessimists of his time, and in *The Mysterious Stranger* and *What Is Man?* forsook his last hope of the human race.

But the transformation of the West from a place of hope to one of despair

paralleled a similar development in the East. While industry abetted the growth of the city at the expense of the country, it also tended to foster the interests of the big business man at the sacrifice of the interests of the small business man. As a result urban life in America in the twentieth century created a situation in which the small entrepreneur, the individual business man, found himself caught in a corner from which there was no escape. It was not until the close of the last century and the beginning of this, when the large corporations, trusts and monopolies came into being, that American literature as a whole became affected by the impact of that change. The first evidence of response to it was found in the work of the muckrackers, Lincoln Steffens, Ray Stannard Baker, Ida Tarbell, David Graham Phillips and Upton Sinclair.

In Sinclair's novel, *The Jungle*, that movement reached its literary focus. The centralizing power of big business was destroying the isolated power of the individual. Caught between the imminent pressure of big business, on the one hand, and its corollary, mass production, on the other, the individual who in the early nineteenth century had room for advance and expansion found himself in the twentieth century robbed of that power. Practically every American magazine of the time became concerned with the catastrophic consequences of that social contradiction. Frederick C. Howe, in an article in *Scribner's* (January, 1907), revealed the growing temper of the period when he observed that "more recently a reaction has come over us; \* \* \* a note of depression, of pessimism [is] in our talk. \* \* \* From a condition of childish belief in the talisman of democracy we have passed in a few years' time to a state of mind bordering upon despondency before the colossal lust that confronts us. A very large number of people see only fail-



ure in our institutions. They are oppressed by the apparent impotence of popular government to find a way out."

The pessimism and the failure to which Howe referred were derivative from the new conditions of life which the corporations and the trusts had created. They signified the early realization of the failure of the American traditions of individualism, liberty and democracy. As the twentieth century advanced, that realization deepened, with the result that American literature as a whole, in the East as well as in the West, assumed a pessimistic, futile outlook in entire contrast to the optimistic eagerness of the nineteenth century.

In the nineteenth century the West represented, as Carlyle described it, the great "Door of Hope" to the suppressed masses of the world. The presence of free land, the seemingly inexhaustible areas of fertile territory which lay before the individual pioneer, inviting exploitation, filled him with an abounding faith in the future. Almost every writer in the East was affected by that promise. Not only Emerson and Whitman responded to it, as we have noted, but Melville, Whittier, Longfellow and even Lowell reacted to it with uncommon enthusiasm. In the West, to be sure, Bret Harte, Mark Twain and Joaquin Miller grew up in native response to it. Even in the cities the possibilities of the individual in the nineteenth century were promising enough to inspire hope on the part of the masses, and American authors, absorbing that hope, translated it into their works. Nowhere, except in the dismal but exquisite romances of Poe, which were derivative from the German romantic tradition of the time and not indigenous in their inspiration, and in Melville's romances of the South Seas, was a pessimistic note to be heard. Whittier, notwithstanding his Abolitionist fervor and his denunciations of a state which would tolerate slavery,

remained an optimist to the end. Emerson, Whittier, Lowell, Longfellow, Holmes, Aldrich, Higginson, Stedman—all were incorrigible optimists. Then came the changes which I have noted. Since that time American literature has deserted its romantic tradition and developed a realistic tone, forsaken its optimistic note and adopted a pessimistic one.

In politics this change reflected itself in the loss of national power on the part of the individual farmer and the small business man and the acquisition of national power on the part of the corporations and the big business man. With the defeat of the Populist movement in the nineties the cause of the individual farmer went down in final defeat. A vast change, in other words, had occurred in the history of the nation, between the time when Andrew Jackson in 1828 was elected President of the United States, as representative of the agrarian interests of the frontier population, and the defeat of the Populist candidate in the election of 1892. The defeat of Bryan in the next election was but further confirmation of the impotency of the agrarian interests before the growing strength of the industrial.

While the election of Wilson in 1912 represented a victory for the small business man of the cities, at best it was a Pyrrhic victory. The program which Wilson had adopted in opposition to the interests of big business became more and more futile as the party he represented came to be dominated by the same interests which he had opposed. After Wilson, little was left of the strength which had managed, owing mainly to the split in the Republican party at the time, to carry him into office. Only the despair that follows successive defeats remained.

American writers, as we have pointed out, anticipated that change long before it occurred. In advance of economic and political thinkers in that respect they realized, instinctively if not rationally, what had happened to

America. And so their work took on an aspect of gloom which their nineteenth-century predecessors would have scorned. In the novel, the pessimistic realism of Dreiser has been succeeded by the so-called "hard boiled" cynicism of Ernest Hemingway and Morley Callaghan. In criticism, the cynical outlook of Mr. Mencken came to dominate the twenties. In fact, in every field of literature that pessimism, verging often upon cynicism, reigned. It has been as conspicuous in American poetry as in American fiction and drama. Edwin Arlington Robinson, for example, who is often called the dean of American poets, has expressed in his verse the same mood of disillusion and despair as has Theodore Dreiser in his prose. Robinson's Tilbury folk are a sad, desolate, barren lot, without the inspiration of hope or dream. Even Robinson's version of the Arthurian legends ends upon a note of despair.

The poets who have risen to prominence in more recent years have not dissipated that disillusion and despair. Instead, ranging from Masters to Jeffers, they have lent it a thicker and darker hue. Edgar Lee Masters and Carl Sandburg, for example, have let little of the sun into their works. The optimism and faith of the nineteenth century poets—Bryant, Longfellow, Whittier, Whitman, Lowell, Holmes—are almost alien to them. Sandburg and Masters have been overwhelmed by the spiritual darkness that has come upon America, crucified by the consequences of industrialism, and swept under by the new tide of materialistic impulse. *The Spoon River Anthology* retold, in tombstone monologue, what happened to the frontier which had once inspired Walt Whitman and Mark Twain with hope and

vision. *Chicago Poems* and *Smoke and Steel* revealed what industry had done to life—and the individual.

In the drama, Eugene O'Neill has expressed that disillusion and despair better than almost any of his contemporaries, better than Masters, Sandburg, Dreiser or Lewis. Little of the old order, the old optimism, has been left unassailed by O'Neill, who, bewildered by the chaos of the day, has attacked the mechanistic basis of our civilization and the entire moral structure upon which it has been built. Like Robinson Jeffers, he envisions man as the puppet of forces which are beyond his control, forces which bend and break him in the inevitable vise of circumstance.

In conclusion we can say, therefore, that American literature has become realistic because the changing conditions of our social life demanded it; that it has become pessimistic because those conditions made it impossible for the optimistic outlook of the nineteenth century to endure. It is not what Mr. Lewisohn characterizes as "the creative spirit" which has brought about this change, but the social conditions which have changed the character of "the creative spirit." The day when Whitman, Emerson and Longfellow believed that the fate of the individual resided in himself, as an individual, a creative force, has been succeeded by the day when Robinson, Masters, Sandburg and Jeffers believe that man is but an ignominious microcosm impotent before the play of social forces. It was, as we have observed, the catastrophic decline of power on the part of the individual in rural territories as well as in urban centres that brought this psychological change to pass—and reversed the historical direction of our literature.



# Hitler's Bid for German Power

By LUDWIG LORE

**A**LTHOUGH Adolf Hitler, leader of the National Socialist German Labor party, was defeated in the election for President of the Reich, this does not eliminate his party as a factor in German political life. The German Fascist organization has a deeper significance than that of a party which suddenly springs up and flourishes only to be overthrown when the situation that erected it no longer exists.

Hitler may not be an overpowering personality but he has undoubted ability as an organizer and is a resourceful agitator, a captivating orator with the courage to provoke opposition, a clever demagogue in whom the faculty of winning self-sacrificing friends for his cause is present in a marked degree. He speaks the language of the new generation and directs his appeal in a thousand ways to their enthusiasm and lust for action. Irresistibly he attracts the hundreds of thousands of leaderless young men in Germany who are yearning for emotional outlets that no other movement has been able to supply. A master showman, he clothes the serious import of the movement he represents in theatrical garments to lend it an aura of romance.

The sons of the impoverished middle class who live under desperate economic conditions are especially responsive to Hitler's urgings. From time to time the small business men and tradesmen have cast in their lot with almost every one of the existing parties. Today they are the ardent adherents of the National Socialist German Labor party that promises them, besides the complete annihilation of their Jewish competitors, militant na-

tionalism and new glory for the Fatherland.

To believe that millions of Germans would follow a man of average ability if he did not personify ideas and ambitions inherent in themselves would be to underestimate the seriousness of the German people and the potentialities of the Nazi movement. The Hitler party has been able to recruit hundreds of thousands out of all social groups and to instil in them a fanatical exultation "for the cause," because it gives determined, if noisy, expression to sentiments and aspirations which are native to the race-conscious soul of the German people. Hitler and his advisers are adept psychologists. They have made their party and its program the focus for widely divergent, incongruous and contradictory opinions, the supporters of which have only one characteristic in common—the lack of a unified outlook on the world. But there is method in this madness.

The chief tenet of Italian fascism is its pronounced nationalism. In Germany Hitler and his followers go one step further, promulgating not only a new Pan-Germanism but demanding the outlawry and expulsion of all non-Germans. The common conception that the German is inherently international-minded has no basis in actuality. Bismarck, the Iron Chancellor, who knew and understood his countrymen, once said that every German is a potential conqueror who claims everything in sight for his country.

The originator of the German nationalist idea was Friedrich Julius Stahl (1802-1861), the son of a small Jewish merchant in Munich named Warschauer. The ambitious youth

adopted the Christian faith when he was seventeen years old, changed his name to Stahl, and in time became one of the most powerful figures of his epoch. From Stahl Prussia and its Junkers received a new philosophy of government. He declared the State to be of divine origin, that the commands of the State authorities are commandments of God to which the individual must render unconditional and unquestioning obedience. The Conservative party, which was founded by Julius Stahl, ever afterward adhered to the ideas of its founder; it was nationalistic, anti-Semitic and generally reactionary. To these ideas can be traced in every important social and political question the ideological relationship between the conservative Junkers and the bureaucracy of the old school, represented today by the German Nationalist People's party behind Hugenberg, with its National Socialist offspring.

Like the Conservatives of the Stahl era, Hugenberg's followers are definitely opposed to general adult suffrage. In 1892 the notorious anti-Semitic royal chaplain, Dr. Stoecker, who for years was a Conservative member of the Reichstag, introduced a bill for the revision of the national election law which provided for a legislative body to be elected on the basis of professional, occupational and trade groups, to take the place of the German Parliament. It was the purpose of this bill to check the growing power of the German workers by giving the numerically weaker agrarian barons and their followers an advantage over the large cities and industrial centres with their increasing labor representation. In Italy Mussolini has since carried out Dr. Stoecker's proposal, and his German disciples are now striving toward the same goal. Dr. Joseph Goebbels, a national leader in the German Fascist movement, in *Der Nazi-Sozi*, a pamphlet published by his party, declares:

"The party Parliament will be re-

placed by the economic Parliament of the National Socialist State. It will be elected by a general and equal suffrage of the German people, divided according to their outstanding occupational groups of the nation, and not into Parliamentary democratic parties."

Germany was the last of the great industrial nations of the pre-war era to emerge from the feudalism of the middle ages. The people of the Germanic nations still bear the impress of that too recent epoch. Their folk-songs, their fairy tales, their legends, their "castles on the Rhine" and even the famous *deutsche Gemuetlichkeit* (German easygoingness), all those characteristics of the Teuton that endear his culture to the heart of the world, are but the visible survivals of an earlier mode of life and thought. Politically, too, these nations have carried their feudal outlook into modern times. The German aristocracy and their titles still loom large in public and private life, though the monarchy has fallen and the republic has taken its place. A few years ago the German people voted more than \$750,000,000 into the pockets of the Hohenzollerns and other deposed overlords by referendum as indemnity for personal property losses.

The monarchical idea is still firmly embedded in the hearts of the German people. Their literature is full of amusing anecdotes illustrating the devotion and loyalty of the population to its deposed rulers. Such episodes as those of the uproarious comedy of *The Captain of Koepenick* and the escapades of his post-war counterpart, Harry Domela, the young vagrant who posed as a German prince and succeeded in living for months as the pampered idol of a stupidly credulous post-war bourgeoisie and an aristocracy still hoping for the return of the "good old times" before his deception was discovered, were more than amusing interludes. They live in the history of the German people because



they are symptomatic of conditions which make them possible.

To the average middle-class German one-man rule is as natural as the military spirit that still pervades his public life. The misery and suffering, the defeat and the degradation that followed the overthrow of his war lords have strengthened the conviction that only a "strong man," with a monarchy, if necessary, can bring back the peace and prosperity of earlier, happier times. He refuses to hold the ex-Kaiser and his clique responsible for the defeat that has brought his Fatherland so low, and insists that only the dagger thrusts of the pacifists and Socialists behind the lines brought about the defeat of the German armies.

Hitler is no new figure in the political kaleidoscope of Germany. He came on the scene in November, 1923, when, with his ally, von Kahr, State Commissioner of Bavaria, he staged the Munich uprising. On the evening of Nov. 8, 1923, after these two men had conferred, Hitler issued a statement to the State Attorney's office in which he explained that for five years he had been resolved "to take up the fight against the destroyers of our German Fatherland, and not to rest until they were crushed to earth"; that he desired to undo the wrong done to the deposed King of Bavaria "by a horde of dastardly criminals."

Beyond the declaration that the German Reich is to be ruled by "one man," the National Socialist party gives no indication of the form of government to be established, and Hitler himself has remained discreetly silent on this point. But the spectacular side of the Hitler movement emphasizes its monarchistic aspects. A Nazi field day always brings out a number of ex-monarchs and their families, claimants to the various small thrones so rudely overthrown in 1918, each with his entourage of landed aristocrats and high military officers. August Wilhelm, son of Wilhelm II, is one of

the party's most active stump orators. King Friedrich of Saxony, who died on Feb. 18, was in evidence at every one of these gatherings, and the ex-Kaiser himself on more than one occasion has openly displayed his interest in the National Socialist movement.

As positive as their admiration for the old monarchy is the hatred and contempt of the National Socialists for the Jew, whom they regard as the root of all evil that the German Republic has brought to their Fatherland. Every political opponent is presented to the National Socialist follower as a member of this hated race. The effectiveness of this method of propaganda is undeniable. The German middle class has always been strongly anti-Semitic at heart, and the rapid growth of Jewish competition in wealth and influence during the war and in the post-war period and the immigration of thousands of Jews from Galicia and Poland with their lower cultural standards have fed the flames of prejudice and animosity.

During the nineteenth century the growth of republican tendencies in Europe had contributed much to the ascendancy of the Jew in the social and business world. Though he acquired equal civil rights, his new status served to increase rather than diminish the hostility to which he was subjected. Formerly limited to a few rigidly restricted professions, he now became a rival in every field of activity. Jew-baiting, always a favored sport of the German Junker, became a political tenet, and reactionary politicians eagerly grasped every opportunity to use racial prejudice to further their own political interests.

In 1883 peculiar conditions in the Grand Duchy of Hesse, as it then was, actually led to the formation of an anti-Semitic party. The small holdings of the Hessian peasants were being relentlessly expropriated by Jewish moneylenders, who sold them at a handsome profit to the Hessian Junker landlords. In consequence of this, Dr. Otto Boeckel, a former college teacher

at Marburg and a small-town Liberal, organized a political party that demanded not only the liberation of the peasant from usurious interest rates but also the disenfranchisement of the Jews.

By 1893 there were sixteen anti-Semitic Deputies in the Reichstag, among them Boeckel, Ahlwardt, who is remembered by Americans of the last generation for his unsuccessful attempt to carry his anti-Jewish propaganda into this country, and Liebermann von Sonnenberg. Shortly afterward the party was split by internal dissensions into a number of factions that fought each other with the same venom that they had hitherto expended on the Jews. Since then these groups have been sporadically represented in the Reichstag without, however, acquiring political significance until the National Socialist movement shrewdly drew them into its ranks. In the flood of Nazi newspapers and periodicals, it would be difficult to find a single article that does not contain at least a passing reference to the "Jewish menace."

The Nazi party program deals officially with the political and social status of the Jew and relegates him to obloquy with frank brutality. Gottfried Feder, the author of the program, says of this phase of the movement: "Anti-Semitism is, in a sense, the emotional substructure of our movement. Every National Socialist is an anti-Semite, although not every anti-Semite becomes a National Socialist. Anti-Semitism is purely negative, and the anti-Semite per se, although he recognizes in the Jew the bearer of the pestilence that threatens the integrity of nations and their racial purity, expresses this realization in personal hatred for individuals and their achievements in business life." The program itself presents a positive solution of the Jewish problem, as will be seen from the full text printed at the end of this article.

In his biography *Mein Kampf* (*My*

*Struggle*), Hitler speaks of his Jewish contemporaries with frank detestation: "He who does not find himself vilified each morning in the Jewish press has not spent his time in useful activity, for, had this been the case, he would have been slandered, persecuted, abused and befouled by Jews. Only he who most effectively fights these deadly enemies of our racial purity, these despoilers of the integrity of the Aryan race and its culture, may enjoy the privilege of their rancor and the attacks of their people."

In an interview given to *The New York Times* on Oct. 15, 1930, to be sure, Hitler is somewhat more guarded in his expressions: "I have no quarrel with the respectable Jew. But when the Jew makes common cause with bolshevism we must look upon him as an enemy."

According to the prevalent conception of the terms involved, the name of the Hitler organization—National Socialist German Labor party—is in itself a contradiction, since socialism has always emphasized the international aspect of its movement. A careful study of the Nazi program reveals a corresponding inconsistency of ideas throughout, resulting in a confused idea of its actual intentions. Thus, it specifically emphasizes the fundamental justification of private property and its inviolability on the one hand and demands the limitation of vast fortunes in the hands of single individuals on the other. It aspires to a "healthy mixture of small, middle and large industrial units in all phases of industrial life and in agricultural pursuits" and in the next sentence announces the intention of "socializing all giant industrial concerns, syndicates and trusts."

Another clause (17) of the same program provides for "a system of land reform by a law which shall require the expropriation without compensation of land for socially useful purposes, the abolition of ground rent



and the prohibition of speculation in land values." In the program itself this clause is qualified, however, by the explanation added by Hitler declaring that the party "upholds private property."

The seeming confusion in the aims of the Nazis becomes intelligible if we consider the brief history of the party and its ideological background. In *Mein Kampf* Hitler, who first attempted a movement of vague generalities and racial nationalism, tells of his joy when he came upon the engineer, Gottfried Feder, and his plan for uprooting the power of national and international finance capital. This was the thing his movement needed to give solidity to a program that had hitherto lacked a positive appeal to the sober and disillusioned working-class elements, to whom the Social Democratic party had seemed, for a time, to point the way to a better future. Generations of propaganda had given the Socialist movement what his party lacked—a tradition that had become an integral part of

the philosophy of the masses. It is to this tradition, vague and undefined as it exists in the minds of many German workers, that the mixture of nationalism, anti-Semitism and pseudo-socialism that is called national socialism, most successfully appeals.

The National Socialist party is made up of heterogeneous elements that reflect these divergent points of view. There are those who want the Socialist phase more strongly emphasized. On the other hand, there are the great industrialists, bankers, aristocrats and landowners who finance this mass party for their own commercial and national interests—the rebirth of a strong Germany, a place in the sun with colonies and spheres of influence and, above all, the ascendancy of capital over the organized labor movement. Today these elements are united by their opposition to the miserable economic conditions of Germany and to reparation payments. But if ever Hitler achieves partial or complete control, a conflict between these two tendencies is inevitable.

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## Text of German National Socialist Program

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THE following is the full text of the program of the National Socialist German Labor party, drawn up on Feb. 24, 1920, and presented "to the German people" at a great mass meeting on the following day in the Hofbraeuhaus Festsaal in Munich. According to the declaration of principles of the party, this program is "unalterable":

The program of the German National Socialist Labor party is a program for all times. Its leaders will refuse to proclaim new aims, when those enumerated in this program have been accomplished, merely for the purpose of perpetuating their party by artificially fostering a spirit of dissatisfaction among the masses.

1. We demand the union of all Germans, on the basis of the self-determina-

tion of nations, in a greater Germany.

2. We demand the equality of the German people with those of all other nations and the abrogation of the peace treaties of Versailles and St. Germain.

3. We demand land and territory (colonies) to feed our people and to furnish opportunities for the settlement of our surplus population.

4. Citizenship rights shall be granted only to those who are of Germanic racial origin (*Volksgenossen*). *Volksgenossen* are those who are of German blood alone, irrespective of what religion they may profess. No Jew can therefore be a *Volksgenosse*.

5. He who is not a citizen shall live in Germany as an alien (*Gast*) and shall be subject to the laws governing aliens.

6. The right to a voice and vote in the State shall be exercised by citizens only. We further demand that public office

of every kind, national, State or municipal, be held by citizens exclusively.

We condemn the corrupting parliamentary control of party patronage in public appointments, without consideration of character or ability.

7. We demand that the State be responsible, first and foremost, for the material welfare of its citizens. If it is not possible adequately to support the entire population, aliens (non-citizens) shall be forced to leave the Reich.

8. All further immigration of non-German elements shall be stopped. We demand, further, that all non-Germans who entered Germany after Aug. 2, 1914, shall be deported at once from German soil.

9. All citizens shall have equal rights and equal duties.

10. It shall be the highest duty of every citizen to perform either mental or bodily work. The activity of the individual shall not be in contradiction to the interests of the community, but shall be carried on as an integral part of the whole for the good of all.

*We therefore demand:*

11. The abolition of unearned and effortless income: *The Overthrow of Interest Servitude.*

12. In view of the enormous sacrifices of property and blood that every war costs the people, personal enrichment through the war shall be considered a crime against the people. We therefore demand the complete confiscation of all war profits.

13. We demand State ownership of all (hitherto) socialized concerns (trusts).

14. We demand profit-sharing in all large establishments.

15. We demand a liberal extension of old-age protection.

16. We demand the creation of a healthy middle class and its preservation, immediate socialization of the large department stores and the renting of their facilities at nominal rates to small merchants, and preferential treatment to small tradesmen and merchants in the awarding of national, State and municipal contracts.

17. We demand a system of land reform in harmony with our national requirements, the passage of a law which shall provide for the expropriation, without compensation, of land for socially

useful purposes, for the abolition of ground rent and for the prohibition of speculation in land values.

[With this paragraph Adolf Hitler, on April 13, 1928, published the following explanation (which is included in the official program as published by the National Socialist German Labor party):

"In answer to the lying interpretations of Paragraph 17 of this program that have been made by our opponents, the following statement has become necessary:

"Since the N. S. G. L. P. upholds private property, it automatically follows that the passage referring to the 'expropriation of private property without compensation' can refer only to the creation of legal possibilities whereby land illegally acquired, or administered in contradiction to the highest interests of the people, may be held forfeit. Such a law would be applicable especially to Jewish real estate speculators.

(Signed) ADOLF HITLER."]

18. We demand relentless war on all those who by their activities threaten the interests of the community. Criminals, usurers and profiteers shall be punished by death, irrespective of race or religion.

19. We demand the substitution of Germanic communal law for the Roman code that at present serves the interests of a materialistic world order.

20. To enable every able and diligent German to achieve the benefits of a higher education, the State shall extend and develop its entire educational system. The curricula of all educational institutions shall be adapted to the demands of practical life. The conception of the "State" idea must be implanted by our schools in the minds of their pupils as soon as they are able to grasp its significance (in courses on civics). We demand opportunities for higher education for the children of poor parents who show evidence of particular ability, at the expense of the State and regardless of social standing or profession.

21. The State shall be responsible for the improvement of public health by means of motherhood and childhood protection, by the abolition of child labor and by the promotion of physical development through a program of compulsory sports and physical training, to be



carried out with the widest possible support of all organizations devoting themselves to the physical education of our youth.

22. We demand the abolition of hired troops and the creation of an army of the people to take their place.

23. We demand legal measures against deliberate political lying and its dissemination through the press. To encourage the growth of a German press we demand that:

(a) Editors of and contributors to all newspapers appearing in the German tongue shall be *Volksgenossen*.

(b) Non-German publications shall be issued only with the express permission of the State. They shall not be printed in the German language.

(c) Financial participation in or influence on German publications shall be forbidden by law to all non-Germans, and we demand in case of violation of this provision that the penalty be immediate suppression and that the non-Germans in question be expelled from the country.

Publications which contravene the public weal shall be prohibited. We demand legal restriction of that movement in art and literature which exerts a disintegrating influence upon our public life, and the closing of places of enter-

tainment that transgress the above principles.

24. We demand freedom of worship for all creeds and denominations in so far as their tenets do not menace the integrity of the State and are not repugnant to the sense of decency and morality of the Germanic race.

The party, as such, stands on the ground of a positive Christianity, without binding itself to any definite denominational position. It opposes the Jewish materialistic spirit within and without, and is of the conviction that the permanent recovery of our people will be possible only from within on the principle of *Community Interests before Private Interests*.

25. To put the above into effect we demand:

The creation of a strongly centralized power for the nation, absolute power and authority for the political central parliament over the entire nation and its organizations in general, and the creation of professional and trade chambers of parliaments (*Staende und Berufskammern*) for the execution in the individual States of the laws enacted by the nation.

The leaders of the party pledge themselves to support, with their lives if necessary, the carrying out of the above program.

# The Silver Question Again

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By BERNHARD OSTROLENK

*Author of "The Economics of Branch Banking"*

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GOLD and silver, the two metals that from time immemorial have represented wealth and affluence, that have embodied the dream of ancient and modern misers, that have been the most valued booty of conquering armies, that have supplied the urge for exploration and conquest, for whose possession man, from the beginning of civilization, has labored and fought, risked his life on uncharted seas and in perilous lands, these metals still present baffling problems to modern statesmen and economists and today again provide central themes in the discussion of the critical problems arising from the economic depression.

The problem of gold springs from the fact there is a shortage, because it is relatively overvalued, because there is a maldistribution and because the insufficient supply has inflated its value as currency. In contrast to gold, the problem of silver is due to an oversupply, because it is cheap and because it has devaluated the currency based on it.

There is no need to consider here the fiscal complications arising from a shortage of gold and the significant connection that an important group of economists discover between gold, prices and prosperity; nor need we elaborate the reasons for the departure from the gold standard of important industrial nations in Europe, Asia and South America. It is enough to point out that just as gold is money to the industrialized world so silver is money to more than one-half of the human race, and that while in recent years the industrial world has

been prone to discuss silver largely as a commodity, to those large populations to whom silver is money it has meant much more than a mere commodity—it has meant a medium of exchange, purchasing power and economic well-being. These are the terms in which Bryan discussed silver, and the ghost of Bryan and bimetallism today frightens the orthodox monometalistic economist.

However, the practical problems confronting the "silver" nations and silver producers need not be confused with monetary vagaries of the past. The problems of silver need to be discussed both in the light of currency for important groups of people throughout the world and also as a commodity to producers in Mexico, the United States, Peru and other countries.

The present oversupply of silver, with its consequent price of 30 cents an ounce, as against 65 cents before 1914, originates in the World War. Before 1914 silver producers and silver-currency countries had acquiesced in a sort of price equilibrium between silver and gold. The "Crime of 1873," which was the first attempt to demonetize silver in the United States, and Bryan's burden of the "cross of gold" in 1896, which was to be lifted by re-establishing silver as a co-currency with gold, had become only memories. Throughout the world there were important countries, including China, India, Indo-China, Mexico and Spain, that used silver either exclusively as currency or as a co-currency with gold; every industrial nation also used silver as a sub-



subsidiary currency and held important stocks of silver in its vaults as reserves.

Production from 1900 to 1916 averaged about 190,000,000 fine ounces annually; 70 per cent of it was a by-product in the mining of non-ferrous metals and virtually all of it was used in the arts and for minting purposes. The price of silver during this period fluctuated relatively little. In 1900 silver prices averaged 62 cents an ounce and in 1916 they still averaged 67 cents. Though prices, just before the World War, were sharply lower than when the "Granger" laws forced bi-metalism on the United States (prices from 1865 to 1885 were from \$1 to \$1.33 an ounce), the significant and satisfactory price aspect of this pre-war period was that silver prices were reasonably stable and consequently there were no serious disturbances in the economic relations between silver and gold currency countries.

The World War created a heavy demand for goods from India and China, both silver currency countries, and a curtailment of exports to the Far East. This shift in the balance of trade led to an exceptional demand for silver to pay for goods from those countries. Silver prices rose rapidly, reaching an average in New York of \$1.12 an ounce during 1919, or almost double the pre-war stabilized price. The metallic contents of the rupee and of silver coins of many gold-standard countries came to be worth more than the face value of the coins in currency, and consequently silver was in unusual demand for hoarding. In brief, the value of silver in the hands of private owners and, more important, in the vaults of nations using silver as a subsidiary coinage had sharply appreciated.

Treasury officials, harassed by deficits arising from war budgets, were quick to note the advantages that could be derived from the situation. The subsidiary currency of gold-standard countries is usually worth only a

fraction of the face value of the metal in the coins. It detracts in no way from the face value of these coins if the metal content is still further reduced because, in any event, the currency may be exchanged for gold. The value is not in the metal content, but in its face value. Holland was the first country to reduce the silver content of its currency and, in 1920, Great Britain reduced its coinage from a standard of .925 fine to a basic fineness of .500. This change had no more effect on the face value of the coins than when the dollar bill in the United States recently was reduced in size. But the debasing of silver coins left in the treasuries of Holland and Great Britain important silver bullion surpluses, which were promptly sold at the then greatly appreciated prices. Australia, New Zealand and most of the European and South American countries soon followed the example of Great Britain. Belgium abolished silver coins in 1926; Poland, Italy and France sharply demonetized their silver coinage during the next two years. As a result of this process of demonetization, between 1920 and 1930, a total of about 225,000,000 ounces of silver was thrown on the market.

So large an additional supply would in itself have sufficed to cause sharp price declines and economic disturbances to the "silver" countries. And silver prices did drop vertically after 1920, reaching the pre-war level by 1921; further irregular declines continued in sympathy with the successive sales from government treasuries.

Another heavy blow was given to silver prices when the Indian Government decided to adopt the gold bullion standard. In 1926 the Royal Commission on Indian Currency and Finance, the Hilton-Young Commission, recommended this standard as the most satisfactory for India. The rupee, which had been stabilized since 1919 at 2 shillings, was reduced to 1 shilling and 6 pence. To procure for India the necessary gold for the new currency

system it was necessary to sell a large portion of her silver holdings. In fact, the mere announcement of the probability that about 400,000,000 ounces of the silver holdings of the Indian Government might be sold, precipitated a sharp price decline in 1926. Further declines followed when the Indian Government proceeded to dispose of its silver holdings. By December, 1931, the price had dropped to less than 30 cents an ounce, against 63 cents in 1926 and \$1.12 in 1919.

Economic disturbances followed inevitably upon this further decline in silver. Such a situation had been foreseen by the Hilton-Young Commission, which had declared in its 1926 report: "The effect of the announcement that the Indian Government proposed selling a large quantity of silver would be to immediately throw out of gear the exchange with China and for a time to paralyze the growing trade with the world of that country. The people of India have from time immemorial placed their trust in silver as the medium of exchange and as their store of value. They are deeply interested in the value of silver and it is contrary to their interest to depreciate it. The present proposal would inflict heavy losses on the poorer classes, who have put their savings in silver ornaments and who would find their stores of value depreciated by possibly 50 per cent by the action of the government."

At the same time the Governor of the Bank of England expressed the opinion that "there is a reaction upon the gold prices when an extreme fall or rise takes place in the value of silver, which is none the less serious because it is indirect and not very apparent on the surface. The consequential changes in prices generally and in trade conditions which would be produced; the disturbance to the world's economic peace and confidence; the interference with the long-established social habits in the use of silver; the reliance of a great country like China upon silver as a medium

of currency and a common store of value, could not fail to have important effects upon the gold prices of countries in Europe and, indeed, in America."

Price disturbances, exactly of the nature foretold by the Hilton-Young Commission and the Governor of the Bank of England, occurred. One of the peculiarities of the silver situation is that the British Government should have deliberately initiated a policy the consequences of which appeared so plain. Neither the forecasts of the commission nor of the Governor of the Bank of England checked the plans to place India on a gold standard.

Between 1926 and 1930 the Indian Government sold about 100,000,000 ounces of silver. Meanwhile, Indo-China also went on a gold standard and sold about 34,000,000 ounces. During the decade following 1920 a total of 400,000,000 ounces of silver was thrown on the market, a supply unrelated to overproduction or accumulation of stocks, being merely releases of previously stored silver by India, Great Britain and other countries. Production, on the other hand, increased but slightly during the years from 1921 to 1930. The average annual production during this period amounted to 238,300,000 ounces, compared with 190,000,000 ounces during sixteen years of the pre-war period. Because of the fact that 70 per cent of silver output is a by-product in the production of non-ferrous metals such as copper, gold, zinc and lead, the increase during the period must be attributed partly to the rise in production of the other metals. Silver production varies directly with the production of non-ferrous metals and does not respond readily to price. During the first nine months of 1931, in sympathy with lower production of non-ferrous metals, there was a drop in silver production of 22 per cent from the corresponding nine months of 1930.

The causes for present low silver



prices may be attributed to three factors—first, demonetization of subsidiary currency by Great Britain and other countries; second, adoption of the gold bullion standard by the Indian Government and subsequently by Indo-China; and third, a slightly increased silver production which resulted from the greater mining of other metals.

The decline in silver prices sharply depreciated the currency of all "silver" countries, especially China, India, Indo-China and Mexico. China is still on a full silver standard and its chief silver unit, the tael, varies in weight in different sections. The decline in silver has been followed by a sharp curtailment of Chinese foreign trade. In fact, the effect of the decline of silver prices on China was similar to that of a high tariff. Foreign goods had to be paid for in larger quantities of silver; as a result the purchasing power for imports sharply decreased. Economists disagree as to whether China has gained or lost by this situation. Some maintain that the drop in silver prices stimulated exports from China because more taels could be purchased with gold and Chinese prices were lower relatively for other countries. Again, domestic production was stimulated because low silver prices in terms of gold inflated domestic prices and checked imports. On the other hand, 75 per cent of China's debt is payable in foreign currency and the drop in silver has greatly increased Chinese foreign obligations. Besides the strictly governmental debt there is also private indebtedness of more than \$300,000,000, which was incurred in the building of railroads. Again, the sharp increase in the cost of living in China has made for decreased real wages. The effects have been so varied by these changes that it is difficult to strike an average.

A similar situation exists in India. Silver hoarding has been one of the important means of accumulating wealth by the Indian farmer. The de-

cline in silver prices has caused losses estimated as high as \$3,000,000,000 to Indian silver holders. On the other hand, there have been gains by precisely the same groups that profited in China. India attempted to counteract the domestic effects of the price declines in silver by imposing an import tax of 9 cents, which temporarily raised domestic prices of silver and had the general effect of curtailing silver imports into India but again sharply lowered world silver prices.

In Mexico, where the mining of silver is one of the chief sources of wealth, the drop in the price of silver has proved to be almost a national disaster. Few silver mines can operate profitably. Mexico attempted to adhere to the gold basis, but in July, 1931, the Chamber of Deputies voted to abolish the gold standard and to place Mexico on a modified silver standard. The gold peso was declared to be no longer legal tender, and all contracts on a gold basis were made payable in silver. Mexico is not on a full silver basis because the coinage of silver pesos is strictly prohibited. All the evils of inflation and debt cancellation have followed the drop in prices.

Conflicting views are held by economists as to the world effect of the drop in silver prices. An important group holds that much of the world depression can be traced to the drop in silver prices with the resulting decline in the purchasing power of over one-half of the world's population, which is on a silver basis. Others argue that the drop in silver prices is an effect and not a cause of the depression. The argument is not wholly academic because our attitude to possible solutions of the silver problem must depend on the point of view developed. If silver has declined because of the general world depression, then the rehabilitation of silver prices must await general recovery. On the other hand, if silver has caused much of the depression, then the rehabilitation of silver prices becomes a major item in

the necessary steps for recovery. The latter thesis has more weight because price declines in silver long preceded the general world depression. With this in view, we may briefly examine some of the suggestions that have been proposed for stabilizing silver and restoring the purchasing power of "silver" countries.

These proposals arise out of the conditions that have created the present débâcle. First, there is the suggestion to curtail production. Producers reply that, since from 70 to 80 per cent of silver is a by-product in the production of non-ferrous metals, such restriction cannot be readily agreed upon or carried out. Moreover, producers argue that the present silver price débâcle is not the result of overproduction, but of the dumping by governments of surplus bullion from demonetized subsidiary silver currencies. They argue that restricted production, even if it could be accomplished, would merely leave the field open for additional selling by governments that still have silver stocks.

A second recommendation is predicated upon bringing about an agreement among governments not to sell silver when it reaches a certain price and on the contrary to buy silver when it goes below a certain price. No important official body has suggested at what price silver is to be thus stabilized. It is obvious that important silver purchases by governments would have to be made in order to rectify errors made during the period from 1920 to 1930, when large amounts of silver were thrown upon a non-absorptive market. But these governments—Great Britain, India and others—are in no financial position to make such purchases. The producers of silver themselves have suggested that governments that have sold silver repurchase it in the same quantities that it was sold and that central banks be required to accumulate certain reserves of silver. It is

claimed that the shortage of gold makes it advisable to increase the metal base for currency by creating an adequate store of silver in addition to gold. Actually this would be a modified form of bimetallism.

The chief direct effects on the United States have been on silver producers whose profits have dropped and on exporters to the Far East, who have found their market sharply diminished. There has been a sharp curtailment of Chinese purchases of cotton goods from Japan because of the lowered purchasing power of the Chinese tael and, in turn, a disastrous decline in the takings of raw cotton from the United States. Perhaps here is a major contributing factor in the collapse in cotton prices—from 20 cents a pound in 1929 to 6 cents a pound in 1931. It is not improbable that the economic troubles of the South can be related to the price collapse of silver.

Other indirect consequences can be traced to a decline in silver prices. In spite of the fact that the United States produces less silver than Mexico and only 20 per cent of the world's total production and that the United States Treasury did not participate in the demonetization schemes, there is an important demand that the United States Government actively lead in the rehabilitation of silver. This leadership, it has been variously suggested, is to take the form of purchasing silver and of negotiating agreements with other countries for the stabilization of silver prices. Some silver representatives wish to see larger portions of our monetary reserves in the form of silver. However, it appears obvious that the solution of the silver problem lies more directly with Great Britain and India because of the monetary importance of the problem to them. In any such movement the co-operation of silver-producing countries, such as Mexico, the United States and Peru, may be counted upon.



# Toward Unemployment Insurance

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By CLAY P. MALICK

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UNEMPLOYMENT insurance is today a national problem which promises to become increasingly important in the months ahead. Unfortunately, interest in the problem is aroused only during periods of distress, when energy is being concentrated on administering immediate relief through hastily organized charity. Whether present proposals for unemployment insurance will be another political football with which to pass depressing days or a real part of our political life depends upon the intensity of the present depression and to what extent unemployment remains with us. Certainly the immediate future of any plan for social insurance in America will be a troubled one, not only because of the difficulties of administration under our complex political system, but also because of American traditions of individualism and personal liberty.

Originally, social insurance was conceived as a means of relieving the poverty-stricken from the constant threat of want. But a new conception has arisen—especially in regard to unemployment insurance—which includes not only the poor but all groups of laborers and “white collar” workers, whose lives are menaced by the possibility of unemployment. This new philosophy of social insurance would substitute social support for individual effort, would release from the fear of poverty all those whose daily wage is now the only key to freedom.

For years Americans have considered social insurance as a subject for theoretical discussion alone, disregarding the practical demonstration in Europe of the efficacy of social in-

surance as a remedy for many of the evils accompanying the industrial system. To Europe a surplus of labor is an old story; to America it is a new experience. Depressions have occurred before and unemployment has resulted; but these periods have passed in a short time and with them passed the need for any permanent plan for insurance. On the eve of the present depression, however, there was a noticeable increase in unemployment, although it was not felt generally because of certain widespread characteristics of prosperity. Presumably, in the future, a permanent surplus of labor will exist—a surplus which must be provided for, by industry if possible, otherwise by the State.

The inability of industry to deal with unemployment has been amply proved in the experience of Great Britain. Hundreds of thousands of British unemployed would never have received the benefits of unemployment insurance if it had been administered by industries, because most of the applicants had been out of work too long to keep in touch with any one industry.

Unemployment at present has become so extensive that it constitutes a public, not a private, problem. Two solutions are possible: it can be treated as a seasonal or a periodic phenomenon, varying in intensity with different trades; or it can be considered an increasingly permanent social evil, one of the mainsprings of poverty. From the first point of view unemployment insurance would be placed upon an actuarial basis, with a definite relationship between contributions and benefits, and the latter restricted to a small fraction of the

working year. The second solution, while retaining contributions by employer and employee, considers unemployment insurance in part as another form of taxation. Benefits would be administered on the basis of need rather than of paid contribution. Through the flexibility of its benefits, the system would operate automatically to relieve the intense suffering and lowered morale of prolonged economic depression.

The first type of unemployment relief was embodied in the British national insurance act of 1911, and is the only kind that has been given serious consideration in the United States. Abandoned as ineffective by European industrial countries, it persists in America only because the real significance of the unemployment problem has not yet been comprehended. On the other hand, the events of the past decade have focused the attention of Great Britain and the European nations upon the second plan for unemployment administration.

Not until 1909 was it apparent that in Great Britain the traditional governmental attitude toward the poor was changing. The Puritan theory that the victims of poverty were the objects of their own sinfulness and that the acceptance of public relief constituted a confession of moral turpitude had, in some measure, still persisted. Among the remnants of this old philosophy was the administration of the demoralizing workhouses for the unemployed under the poor law of 1834. These were condemned in no uncertain terms by the Poor Law Commission in its report of 1909. Definite steps were then taken to remedy the situation in the national insurance act of 1911.

This act provides compulsory unemployment insurance in those trades where the unemployment ratio was highest: engineering, iron-founding, sawmilling, building, woodworking, shipbuilding and construction of vehicles—in all, about 2,400,000 workers. A benefit of 7 shillings a week

was provided for, payable after a waiting period of one week and continuing not longer than fifteen weeks out of a year, provided this period did not exceed the ratio of one week of benefit to five weeks of paid contribution. The insured also had to prove that he had been employed in an insurable trade not less than twenty-six weeks during each of the five preceding years; and that he was capable of work, but unable to obtain employment. The workman was given a small book in which was pasted each week a 5d (10-cent) stamp, 2½d (5 cents) of which was deducted from his wage. To this amount the Exchequer contributed 12-3 pence.

The act of 1911 was based upon the rate of unemployment, which varied, in the years before the World War, from 3 to 8 per cent. So mild a remedy was found to be hopelessly inadequate in the face of the mounting unemployment situation in the post-war years, when the rate rose, in some instances, to 21 per cent.

The act of 1920 broadened the base to include the vast majority of manual workers—about 12,000,000—and excepted only those engaged in agriculture, private domestic service and public utilities. The series of amendments to this act, which began with the unemployment crisis in 1921, were regarded as temporary and were designed to meet an emergency. But as business conditions did not improve, these amendments became vastly more important than mere temporary measures of relief. The broad, sweeping provisions enacted in 1927 and 1930 have made the act of 1911 hardly recognizable.

These amendments to the insurance acts have brought about a gradual relaxation of the qualifications for eligibility, and at the same time have increased the periods of relief to twenty-six weeks. These twenty-six-week periods have been extended repeatedly. The rate of benefit at one time rose to 20 shillings for men and 16 shillings for women; later this was



reduced to the present rate, 17 shillings and 15 shillings, respectively. As early as 1921, in allowing benefits for dependent relatives, the principle of benefits in proportion to need rather than to paid contribution was introduced.

By 1930, in accordance with the Blanesburgh report, which recommended that benefit to any one insurable should continue as long as his unemployment, all restrictions on benefits were relaxed. The report declared: "We have found in all quarters a general agreement that the risk of unemployment should be insured.

\* \* \* It has been recognized by all who have appeared before us, and we ourselves share the view, that an unemployment scheme must now be regarded as a permanent feature of our code of social legislation."

The British insurance scheme as it stands today is not a piece of skillful political planning, nor is it a product of deliberate social consciousness. It is a crazy-quilt, patched together without plan, each piece dictated by necessity. Nevertheless, in the measures adopted between 1920 and 1930 the lines of a new order are discernible. Those closely identified with British labor legislation believe that they have merely started on the right path, and that it will be possible, when normal conditions have been restored, to achieve some of the ultimate aims of social insurance.

Industrial unemployment insurance in Germany began in 1894 with the work of Ernst Abbé in organizing the Zeiss optical works along cooperative lines. The movement, after spreading successfully to other industries throughout that country, was halted by the war. The dislocation of post-war industry forced the governments of the Reich to assume the burden of supporting the unemployed.

The Reichstag, which had followed closely the experience of Great Britain, enacted on July 16, 1927, a most interesting code for the placement of workers and for compulsory unem-

ployment insurance. To the system of social insurance, which already covered accident, sickness, invalidity, old age and burial, was added unemployment insurance. It applied to those workers liable to compulsory health insurance whose annual wage does not exceed \$900 and to those liable to old age and sickness insurance whose salary does not exceed \$1,500. To the latter group belong teachers, office workers, theatrical performers and musicians.

The rate of contribution was not to exceed 3 per cent of the salary—later raised to 4½ and, in 1930, to 6½ per cent—to be borne by employer and employe equally. The German scheme is thus self-supporting, while the British fund is authorized to draw upon the Exchequer to the extent of \$450,000,000.

Under the German plan benefits are payable from the eighth day after the authorities are notified of the claimant's unemployment. The claim to benefit arises after twenty-six weeks' payment of premiums and the benefit is limited to twenty-six weeks in any year. If relief is necessary after the expiration of this period, the claimant is turned over to the emergency relief, or *Krisenfürsorge*, the cost of which is borne by the Reich and the local governments in a ratio of 4 to 1. To determine the rate of relief the beneficiaries are divided into eleven groups according to the scale of wages. Benefit for the lowest group is equal to 75 per cent of a standard wage, or norm, for that group. This percentage diminishes as the standard wage increases until the basic benefit is 35 per cent of the standard wage. This is in sharp contrast to the flat rate of the British system.

The German plan displays a familiarity with other schemes and is the product of careful research and co-ordination. The serious financial pitfalls which it has met since its inception must be attributed to the depression, rather than to errors of administration.

The adoption by France of a compulsory social insurance system is one of the most surprising and far-reaching developments in legislation for the protection of the worker. While not of direct interest to the study of unemployment insurance, it is highly significant as a departure from the French *laissez-faire* tradition. The act, which was passed by the Chamber on March 14, 1928, and became effective on July 1, 1930, had been before Parliament for seven years. It applies to all wage earners of both sexes whose earnings do not exceed \$600 a year. It covers the risks of sickness, invalidity, old age and death, and provides that during unemployment, even if premium payments are not maintained, the worker is guaranteed the benefits of the system for a period of six months.

Since the history and tradition of social responsibility in France run parallel with those of the United States, this action deserves attention. It reflects the new trend in social economics, and, with the social activities in other advanced industrial countries, provides a background for similar developments in America.

The sporadic efforts to aid the unemployed in the United States indicate, unfortunately, that the valuable experience presented by Europe is not being used. In America it is possible for forty-nine major relief plans to exist alongside hundreds of municipal and private philanthropic schemes. Such a chaotic system only serves to heighten the distress of the man out of work.

Of the 4,331,251 trade unionists in the United States not more than 110,000 are enjoying the benefits of insurance against loss of work. Outside the labor unions various plans—mostly for temporary relief—have been either proposed or put into operation. In 1930 the joint report of the representatives of the National Association of Manufacturers and the National Industrial Council attracted considerable attention by advocating

insurance by industries, stabilization of industry, stabilization of the dollar and planned public works. Like the reports of most American commissions, this one was without result.

Today thirty-five industrial organizations are operating unemployment insurance programs, among them the General Electric Company, the Denison Manufacturing Company, the Procter & Gamble Company and the full-fashioned hosiery companies. Cincinnati has attracted attention by her unemployment relief program, although it provides only for immediate relief. Most notable among the recent additions to this list are the unemployment compensation act, passed by the Legislature of Wisconsin in January, 1932, and the report of the Interstate Commission on Unemployment insurance, published on Feb. 15.

The Wisconsin unemployment compensation act is the first legislation of its kind in the United States.\* Professor H. M. Groves, its author, boasts that it is neither "radical nor a panacea for unemployment." It provides a period of a year and a half during which employers may set up voluntary systems of unemployment compensation which must have the approval of the State Industrial Commission.

If half the employees insurable under the act are not covered by voluntary systems by July 1, 1933, the act becomes effective. Under it an employer is compelled to contribute to a State fund 2 per cent of his payroll. His reserve is to be used as a benefit to those employees to whom he is unable to give at least half-time work. The rate of contribution is lowered when his fund reaches a total of \$75 per employee. The benefits are limited to 50 per cent of wages, or \$10 per week, whichever is lower, and payable for a period not to exceed ten weeks in any one year.

Underlying the act, according to

\*The text of the act and a detailed analysis are presented in Roger Sherman Hoar's *Unemployment Insurance in Wisconsin* (South Milwaukee, Wis.: The Stuart Press, 1932. \$2).



its author, are the principles that industry can eliminate much unemployment, that the cost of unemployment should be made a direct charge upon industry, that the worker is entitled to a regular income, that it is not, in any respect, a form of insurance, but a part of the costs of operation. There is no need for comment upon the step taken by Wisconsin. It indicates the trend of thought in this country along socio-political lines. Unfortunately, State action of this kind, solving only a small part of the unemployment problem, may tend to crystallize American views and retard indefinitely a more comprehensive solution. Such has often been the fate of other pressing problems which were really national in character.

The Interstate Commission on Unemployment Insurance was composed of one representative from each of the Governors of the States of New York, Ohio, Massachusetts, Pennsylvania, New Jersey and Connecticut, with Leo Wolman, the New York representative, as chairman. Their report embodies the following features: (1) Compulsory establishment of State-wide systems of unemployment reserves; (2) payment by each employer of a contribution amounting to 2 per cent of his payroll; (3) payments made by each employer to constitute the unemployment reserve of his firm—as opposed to pooling the reserves among all industries, as is the practice in Europe; (4) a maximum rate of benefit of 50 per cent of the salary, or \$10 per week, whichever is lower, and a maximum period of benefit of ten weeks in a year; (5) limitation of the financial responsibility of the employer to the amount of his unemployment reserve; (6) no further contribution by the employee when the re-

serve reaches \$75 per employee; (7) the State to act as the custodian, investor and disbursing agent of the reserve funds; (8) the State to take steps to extend its public employment service; (9) creation by the unemployment authority of stabilizing agencies.

Obviously the commission in making recommendations of this nature was limiting itself to that irregularity of operations which has so long characterized American industry. The report adds, rather hopelessly: "It seems to us unlikely that any single measure now adopted can cope successfully with all forms of unemployment, or with the total period of unemployment, or even with all the unemployed."

Some very definite considerations, in the opinion of the writer, arise from a general survey of unemployment conditions. Relief must be more comprehensive than anything yet proposed in the United States, since it has become too extended to be classed as a problem of industry. Any plan for relief must be public, national in scope and unified in administration. Furthermore, the experiences of pre-war attempts at insurance cannot adequately serve as models for our solution of the problem. Federal legislation alone can relieve the present distress and prevent its recurrence. In the present state of the Congressional mind the prospects of such legislation are not bright; nor can anything better be hoped for as long as the prejudices aroused by the word "dole" can throw legislators into a panic. Nevertheless, the problem is increasing in severity; a rational attack upon it at the present time could save the people of the United States the agony of a decade of trial and error such as the British experiments went through.

# South American Contrasts

By HENRY KITTREDGE NORTON

ANY measurement of cultural values is unlikely to achieve much success. If "culture" is used in its broadest sense it includes economic factors which are susceptible of fairly exact measurement and comparison. But there are questions of appreciation which arise from a multitude of differences in morals, customs, education, temperament and taste, for which there is no accepted standard of measure.

The American who travels in the countries on the neighboring southern continent is repeatedly met with veiled insinuation, subtle implication or bald assertion regarding the relative cultural values of the United States and of the South American republics. Which has the higher cultural value—an American youth urging his motor to express-train speed or an Argentine riding his horse at full gallop, the jazz music of our dance-halls or the tango of the Buenos Aires waterfront, the Brazilian machiche or the doleful songs of the Bolivian Indians, the literature of France or the literature of England, the strait-laced morality of the Puritan, the carefree manner of the modern age, or the more sophisticated mixture of the two which prevails in South America? Obviously, these are questions which will be answered according to heritage and temperament. Except for those exotic spirits who consistently find the good in other peoples and the bad in their own, the general tendency will naturally be for the natives of each country to approve that to which they are accustomed—one of the common manifestations of nationalism.

Certainly in the field of economic

development the United States has a preponderant position which easily outweighs that of the rest of the hemisphere. But the relative rank of the South American States is not so well known. Argentina is generally accepted as leading, but her enormous superiority comes as a surprise even to the informed. Argentina conducts half the foreign commerce of all South America. She has 43 per cent of the railways and 60 per cent of the railway traffic, both passenger and freight. She has nearly half the telephones and more than half the automobiles in all South America; 60 per cent of the letters and telegrams of the continent are handled in Argentina. Her banks hold nearly three-quarters of the gold.

Argentina is almost as dominant on the South American continent as is the United States in the whole Western Hemisphere. And this with only about one-sixth of the people and one-sixth of the territory of the ten republics south of Panama. Brazil, with nearly half the territory and population, ranks second in most of these matters, with an economic activity about half as great as Argentina's. Chile and Uruguay alternate for third place in most instances, with Peru occasionally asserting herself.

The more purely cultural activities are not wholly unrelated to the level of economic attainment. But many South Americans refuse to admit that there is any connection between economics and culture. To do so would open the way for the inference that the United States might have reached a higher cultural level than their own countries. It is safer to rest upon the



dogma that North Americans are hopelessly absorbed in the pursuit of the almighty dollar, that they have made no progress in spiritual and artistic matters and are scarcely aware that such things exist.

Many an American who has traveled in the southern republics has accepted this defensive generalization. Yet his attitude is understandable. He arrives in the capital of a South American republic as the representative of some American philanthropic or goodwill organization. Influential citizens to whom he has letters of introduction arrange, with a courtesy far in excess of what the traveler is accustomed to at home, meetings with leaders of the educational and social life of the country. Such circles are composed of charming people. Their conversation ranges over the intellectual and cultural activities of the world. They speak easily two or three languages, exhibit a knowledge of music, art, European literature and the latest developments in all of them. The visitor sees before him evidences of a personal cultural development beyond anything which he has known in the United States. It is an easy step to the conclusion that he has discovered a cultural attainment excelling that of his own country.

Yet in the United States there are similar groups. In New York and Washington, in Boston and Philadelphia, circles exist where one can hear charming people speak as many languages and show as great and easy an acquaintance with music, art and literature as in Lima or Santiago, Buenos Aires or Rio de Janeiro. But they are rarely accessible to the average man. Furthermore, when a traveler meets and talks with such groups in South America, he is in the presence of a larger portion of the national culture—if it may be measured quantitatively—than is possible in the United States. The country he is visiting is, of course, nominally a constitutional democracy. Nevertheless, the traveler

is in the presence of an aristocracy. He is talking with the scions of old-established families whose names have been prominent for decades, and whose ancestors have gathered into the family coffers a foundation for the cultural superstructure of later generations. The American is talking to the dukes and duchesses of an untitled nobility. Their personal worth is the equal of that of men and women of similar background in any country. But it does not follow that the cultural level of their country is at a corresponding level.

Few South American countries possess more than the rudiments of a middle class. The aristocracy which owns the national wealth, furnishes the governing officials, fills the professions, constitutes society and receives foreign visitors, is far removed from the mass of the population. If national culture is to be judged simply by the attainments of individuals, the United States might rest its case upon a representative such as Justice Holmes. But the ultimate appraisal must fall upon the general level, not the particular.

When a South American refers to the cultural superiority of his country, his attitude is based upon the best of his own nation and the median or worse of others. The national level hardly occurs to him, because his thinking is instinctively aristocratic. *Demos* is, for all but a few, a thing apart from and below the nation. If the South American's chosen ground is accepted there is little room for comparative analysis. Taste is so large a factor that there is no common standard of measurement.

Literacy is one of the fundamentals of cultural development. In South America this ranges from slightly over 60 per cent in Argentina and Uruguay to 50 in Chile, 35 in Peru and Colombia, 15 or less in Bolivia and Paraguay. The best of these figures is below even the most discouraging for the United States.

In the higher ranges of education

there is a similar difference. Even in the most advanced South American republic, the proportion of high schools is far below that of the United States. Only the more favored individuals reach this comparatively advanced stage of education, still fewer the universities, although nearly every republic boasts at least one university and several of them have a number of such institutions. When the wide range of quality among the universities of the United States is considered, one hesitates to make too close comparisons with the southern institutions. However, even the best South American university operates on standards of scholarship far below those of at least a dozen leading American institutions. One reason is obvious. It is customary to recruit the faculties from the active members of the professions. No lawyer in Buenos Aires would feel he had achieved his due measure of distinction unless he were a member of the Faculty of Law either in Buenos Aires or La Plata. The proportion of university professors who are only teachers and scholars is extremely limited. High scholarship is but rarely the by-product of a busy professional life. Perhaps the objection may be raised that the American system is possible only in a country which possesses greater wealth, that the American means is superior and not the desire or interest. In that case, cultural development is seen once again to rest upon an economic basis.

Tangible measurements for a nation's interest in art are difficult to establish. Latin-American cities are well furnished with elaborate monuments, but many of them would draw as caustic a comment from Mr. Epstein as did New York's Maine Memorial. Skill in monument-making is still not far advanced in any part of the world. Museums may afford a better test of art interest. Most South American capitals are provided with at least one which is evidence of a worthy effort to pre-

serve the art treasures of the country. Except for the one in Buenos Aires, which is hardly a credit to a city of its population and wealth, South American art museums are about on a par with those in American cities of similar size. Rio's is perhaps the most impressive, but the Metropolitan in New York is quite another thing. And there must be at least ten others in this country which are without equals below the Equator.

In music the honors belong undoubtedly to the South Americans. The love of music and an ability to sing or to perform on some instrument are far more common; once again the Spanish and Italian blood is true to its heritage and in the New World as in the Old is an easy victor over Anglo-Saxon competition. Reservations must be made, however, in any consideration of opera and symphony. No symphony orchestra in all South America is more than a pale reflection of any one of the half-dozen great orchestras in the United States. Opera at the Colon Theatre in Buenos Aires is beautifully housed and splendidly done. The theatre itself is far superior to New York's Metropolitan, and some tastes will prefer it to the Civic Opera in Chicago. The performances are not inferior at the northern houses, and the length of the season and the average of attendance are quite comparable.

Literature, likewise, is beyond the reach of acceptable standards for comparison. If French and Spanish literature is more "literary" than English or American literature, then the upper strata of society in the South American countries are more "literary" than corresponding groups in the United States. If the consumption of print paper is to be taken as a measure, we use vastly more than all South America. Argentina uses more than all of the rest of the continent. If the criterion is the number of world-resounding voices, our greater age gives us an appreciable lead.



"Things of the soul" are certainly beyond the possibility of accurate appraisal. If religion is to be included, there is a wide divergence among the South American countries. In some the church is a powerful factor in the national life; in others it has been rigidly restricted to the spiritual sphere. As far as a stranger can judge, the actual influence of religion in the lives of South Americans is about what one would expect; many people are very devout, others irreligious, while between are all degrees of piety or impiety.

If the satisfaction derived from doing good for one's fellowmen may be classed among the things of the soul, the enormous volume of private benefactions in the United States must not be overlooked. In South America, universities, hospitals, museums and all the equipment of social work are almost universally government undertakings. Some of the universities have endowments, but their origin was in gifts from the crown or from the government. Privately endowed colleges, universities, museums or other institutions are rare. For the most part these agencies of social expression are State-supported. Even the opera is supported by the State.

The whole range of beneficent activities carried on by our great eleemosynary endowments—scientific research, medical experimentation, health and sanitation, child welfare, historical and economic investigation, peace advancement and similar activities designed to promote human

welfare—are practically without parallel in the States of South America. Here and there one finds the beginnings of effort along this line, but they are only beginnings. The lack is not due entirely to the lesser wealth of the South American countries. Argentina, and to an extent Brazil, have families of outstanding wealth, but their benefactions have not found expression in such endowments as in the United States, even on a scale commensurate with the means available. It must not be forgotten, however, that fifty years ago such organizations did not exist in the United States. Not that the South American republics are fifty years behind the United States; some of them are more, others are less. In each of these republics are certain phases of life which are ultra-modern, while some are perhaps more than fifty years out of date.

Culture follows closely economics throughout South America. In spite of the charm and grace of a small élite in Bolivia and Paraguay, and the larger sphere of cultural activities in Lima and Montevideo, only the fanatically patriotic would refuse to recognize that there still is a wider opportunity for esthetic enjoyment in Santiago. Santiago, in turn, recognizes the more advanced position of Buenos Aires and Rio. And in Buenos Aires one is frequently told that that city is far in the lead. One hears little of the matter in Rio, but leaves with a suspicion that perhaps a distinguishing mark of culture is the avoidance of any reference to it.

# American Advancement in 1931

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By HORACE DEMING BARCLAY

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**H**ISTORIANS are now pretty well in agreement about their function. It is nothing less than to make their record of the past coextensive with the whole range of human activities. Otherwise history cannot give us a faithful account of a nation's development. But this involves labor so many-sided that the historian's task becomes one of ever increasing perplexity. It is all very well for him to say with the Roman sage that nothing human is alien to him, but how is he to weave into his narrative all that is of importance in the life of a nation—its political and industrial changes, its progress in the arts and sciences, its shifting ideas in philosophy and morals, its social behavior—in short, everything that has its part in the sum-total that we call life?

How multifarious are the activities of just one people, our own people of the United States, and how difficult it is to fashion out of the mass of information a cohesive story relating to those activities in the course of even one year, was impressed on the present writer when in an idle moment he picked up a volume just issued from the press entitled *The American Year Book: A Record of Events and Progress* for the year 1931. Here in more than 900 closely printed pages was a truly amazing attempt to tell the story of what we were doing—or what was happening to us—during a year still vividly fresh in our memories, though one which we should be glad to forget because of the business depression which laid its hand on us still more heavily than it had in 1930. Turning over the pages of this work—for obviously it is not a book to

read through at a sitting, but rather to keep at hand for purposes of reference—one is struck by the thought that after all the American people as a whole have kept on working at the things that are making us a civilized nation, depression or no depression.

In a scientific age it is natural that our minds should turn to the nearly 200 pages of the section headed "Science—Principles and Application," and note what our mathematicians and astronomers, physicists and chemists, biologists and medical experts, and engineers and technologists were doing in 1931. And it is wonderful to read the record of what they achieved in one short year. No doubt their research work explains why in the mathematical field alone no fewer than a dozen leading foreign scientists, including Albert Einstein and Willem de Sitter, visited this country.

That word "application" with reference to science is perhaps more significant than it seems at first sight. Applied science means improved methods in industry, and they in turn unfortunately—under present conditions, at any rate—lead to one of the great underlying truths of our present social disorder, the fact that modern civilized nations require an ever diminishing proportion of their people to perform all the labor required by the community as a whole. That helps to explain one of the fundamental causes of the depression by which the year 1931 will be remembered. Yet it would be ridiculous to think of curbing scientific research and the application of its results to industry.

Naturally, to most of us who are concerned with politics and business,



the sections of *The American Year Book* which will prove of most service from day to day are those given over to that very wide range of activities. A good deal in these 500 pages must necessarily make melancholy reading. If business has been bad, politics can hardly be said to have been helpful. Nevertheless, we need to have the wretched facts, even if it be only for the purpose of comparing them with the better conditions which those of us who refuse to be pessimists believe must return, though no one at the moment is so foolish as to predict when the recovery will begin.

There is a Chinese proverb to the effect that true things are not pleasant and pleasant things are not true. This may be a little too sweeping, as are a good many other generalizations that have attained the status of the proverbial. Yet this veracious and comprehensive record of a year, which blinks at nothing if only it will help to tell the story, cannot spare us the facts about crime conditions, poverty, unemployment and other matters which make it clear that we still have a good many tasks on our hands before American civilization rises to the level where we demand it should be. Nevertheless, along with these true and unpleasant facts we find others that are also true but pleasant—the evidence of the many efforts being made by all sorts of organizations to cope with social difficulties and to eliminate the unnecessary sufferings of individuals which are at the same time a loss to the community.

Of course, in any account of a year's events, considerable space must be allotted to politics. In such a nation as the United States that necessitates surveys of happenings in a Federal capital with its multitudinous bureaus and in the capitals of forty-eight individual—and we used to maintain—sovereign States. And here again our year book—a “hardy annual,” we are beginning to think it should be called—impresses us with something of the immensity and complex-

ity of the things that keep so many minds busy. All these processes of government make it very evident that we are certainly a thoroughly if not well governed people.

Since we are slowly, but let us hope surely, becoming really internationally minded, this year book of ours awakens us anew to the increasing importance of foreign relations. The pressure of busy life keeps most people from close study of all that occurs in this realm, for it is no less crowded than the others. Yet it is well to note how at one moment the American attitude upon foreign debts attracts attention, a little later the Far Eastern imbroglio and all that it might mean to this nation, and then disarmament, and still again negotiations for the St. Lawrence waterway. Somehow, a good memory will keep track of these questions, but what, for example, of the actual organization of our far-flung foreign service, or American relations with countries which seldom appear on the front page of our papers, or American cooperation with the many international organizations which are part of world society? Again this year book does not fail us. The facts are here, and they make the heart of one who after all has a tiny spark of imperialist sentiment, swell with justifiable pride that the United States is playing its part in this troubled world of ours.

A political or governmental function which concerns us all more immediately than the subject of the foreign service is taxation—not an exciting subject, in spite of its importance. Yet, somehow, as one reads the brief, concise accounts of the working of the American agencies of taxation interest—almost in spite of itself—is kindled. Possibly in the survey of American revenues during 1931 there may be indications of the probable trend in the incidence of taxation. For instance, we learn that North Carolina actually reduced the real property tax by \$12,250,000; is that of significance? Also in the discussion of local taxa-

tion there seems to be evidence of a tendency toward consolidation of functions with savings that have made possible reduction in tax rates. Of late the cost of government has been mounting so steadily that in many minds has arisen the thought that perhaps modern democracy was proving inefficient and too costly to be worth all we are paying for it. But there is a gleam of hope. This annual survey of governmental costs and revenues indicates that possibly democracy is going to justify the cost.

As we keep on turning over the pages of this volume we suddenly realize that we have at last found something we long have wanted—a bombshell to hurl at the foreign critics of America. For more than a century visitors from other lands have come among us to appraise our civilization. Some have been useful commentators, and we have benefited by their observations. But there is a much more numerous tribe made up of those who help to spread the notion throughout the world that America has no culture, no art, no regard for the intellectual life or anything that makes man something more than a creature of his appetites. That is an old story, and one has often wished for concrete evidence to show how monstrously unfair it was.

But now, thanks to the editors of *The American Year Book* and their corps of more than 200 contributors, we have the ammunition for a most devastating counteroffensive. Consider that particular accusation that America is unconcerned about things intellectual and turn to the pages where we find the work done in philosophy alone in the one year of 1931. Not only did it include the publication of books by John Dewey and Morris R. Cohen, who undoubtedly rank high among thinkers the world over, but also it saw the issue of the first volume of C. A. Peirce's *Collected Papers*. Peirce was the first original philosophical mind that America has produced. From him William James, Dew-

ey and many others have learned, and his influence is still important.

We may turn from the considerable record of American philosophy in 1931 to the work of the psychologists. Psychology may not be a science in the strict sense, but in no country in the world is the attempt to make it one being pursued with more vigor and resourcefulness than in America. Among those who know this field of intellectual activity there is at least one school that sees in the ideas of J. B. Watson one of the most promising efforts yet made toward raising psychology to the position of a true science. It is significant of European ignorance of what America is doing that only recently have European thinkers become alive to the value of Watson's suggestions.

There is one section of *The American Year Book* for the title of which the present writer is grateful to the editors. It is "The Humanities." The man who first thought of calling the study of literature and art by that fine old name, who first realized that letters meant nothing if we did not become humanized in the process of study, had a vision by which we are bold enough to say an increasing number of our people are learning to live. And so, if it is necessary to tell some disdainful European what America was achieving during the depressing year 1931 in the various branches of intellectual labor which fall under the heading of "The Humanities," refer him to *The American Year Book*. Incidentally, he will discover that in spite of all our utilitarian and materialistic ways Greek is still being studied with enthusiasm and that there really are Americans that take a delight in making new translations of Homer and Aristophanes.

When we get down to practical steps for the spread of interest in cultural and intellectual things, we find, in spite of the depression, a most impressive report of what the libraries of the United States are doing. Is it not amazing that in the period be-



tween 1923 and 1929 there was an increase of 33,500,000 books in those public libraries which have collections of not less than 3,000 volumes? This made us also wonder how many libraries there might be of less than 3,000 volumes and how it could be possible to estimate the growth of the library in the home, for people have been buying more books in the past decade than ever before. The business depression, it would seem, has in no small degree stimulated interest in the more serious kinds of books, though it may have temporarily checked the incentive to purchase through the past year. The libraries supply 162,000,000 volumes to the public, or 11-3 books to every human being in the United States. And thus, who can justly say we are so unregenerately utilitarian and materialistic?

The main purpose of *The American Year Book* is, of course, that of a book of reference. It is a vast compendium of facts about a single year

of a nation's life. But in refreshing his memory by spending a leisurely hour skimming through its pages, the present writer discovered that the uses to which the book could be put are not alone those the editors had in mind. The year it deals with was not one of the happiest in our history, but the record shows that the fundamental urge to make something better of American life is stronger than ever. The record is thick with signs of promise. And so it seems that there will yet emerge out of all our troubles and shortcomings a truly splendid civilization. In fact, when we think of all the opportunities we have, we can see no reason why it should not be the highest civilization the world has yet seen. The ability to engender that feeling is a genuine achievement for a sober book of facts, for it records impassively what America has done—not left undone—and in a time like this that is both consolation and—encouragement.

# Salvaging the Danubian States

By FREDERIC AUSTIN OGG

*Author of "The Economic Development of Modern Europe"*

INTO European discussions of disarmament, war debts and reparations there have been injected in recent weeks proposals for alleviation of the plight which has overtaken the group of States situated wholly or mainly in the Danube Valley. The League, as well as individual important nations, has discussed the matter. The idea of a series of economic agreements as a means of overcoming the steadily multiplying difficulties has, of course, no novelty. Something of the kind has been talked about off and on since almost immediately after the war.

Suggestions that came originally from the British Government in February of this year, however, followed by vigorous and challenging activity on the part of Premier Tardieu of France, converted a nebulous subject of academic debate into a fairly definite program of action, and led straight to the widely heralded conference of Premiers Tardieu and MacDonald in London on April 4, followed by a four-power conference of British, French, German and Italian representatives. This larger gathering took place in response to a British invitation, accepted eagerly by Germany and Italy, less so by France, which would have preferred to manage the matter single-handed or, at all events, with Great Britain alone.

But it was apparent nearly as soon as the delegates assembled in London on April 6 that no resolution of the problem would be achieved and the parley ended on April 8 without any result whatever and without any plan for resuming discussions. Great Brit-

ain and France, speaking through Prime Minister MacDonald and P. E. Flandin, Minister of Finance, respectively, were agreed that Czechoslovakia, Austria, Hungary, Rumania and Yugoslavia should lower all interacting tariffs by at least 10 per cent, in order to promote the exchange of their products and to revive their stagnant trade. It was further proposed that they should abolish all quotas and other economic devices now hampering trade among themselves. Outside countries were to renounce their rights under most-favored-nation clauses, and existing tariffs against these outside countries were not to be raised. In addition, outside countries were to give unilateral preference to exports of Danubian agricultural products, although not to manufactured goods—that is to say, tariffs against Danubian farm products would be reduced without reciprocal reductions on manufactured exports to the Danubian States. Finally, \$40,000,000 was to be advanced to the Danubian countries to meet immediate emergencies, the loan to be guaranteed by the four powers themselves.

B. W. von Buelow, the German delegate, and Foreign Minister Grandi, representing Italy, flatly refused to accept the plan on the ground that it would not help the Danubian situation and would needlessly add to the economic difficulties of their own countries. Thereupon the conference broke up, with the statement that "a number of economic points have emerged which call for further examination and information," and that "each of



the four governments has agreed to address to the other three as soon as possible a considered statement of its views." Obviously, this meant an indefinite adjournment.

Before the World War there were five Danubian countries—Austria and Hungary (comprising the Dual Monarchy), Serbia, Bulgaria and Rumania. As the map was redrawn, first by revolutions and afterward by the treaties of St. Germain and Trianon, the number was increased to six—Austria, Hungary, Czechoslovakia, Yugoslavia, Rumania and Bulgaria. The first three were carved entirely out of the territory of the old Dual Monarchy. Yugoslavia and Rumania received large areas from the same source. Only Bulgaria, actually reduced in size, lay wholly outside; primarily for this reason, though a Danubian State and fearful of the consequences of isolation, Bulgaria has no place in any Danubian union thus far envisaged. The union of which M. Tardieu, Mr. MacDonald and others have been thinking embraces only the "Succession States," so as to restore as much as possible of the economic interrelationship and solidarity which they lost upon becoming politically separate.

The irony of the Danubian situation is that the political freedom for which subject nationalities of the old Dual Monarchy so long and stubbornly contended—added, of course, to the effects of a world-wide depression—has been mainly responsible for their present economic plight. Before the war, Austria-Hungary, though a racial and linguistical patchwork, enjoyed a high degree of economic integration, and with it considerable prosperity. Tariff walls restricted trade with the outside world, but the industrial areas found good markets in the agricultural parts of the empire, which in turn sold their products readily in the factory towns. The Dual Monarchy, with almost exactly the same number of people that the five Succession

States now contain, was thus a little economic world in itself.

As soon as the political map was redrawn after the war, five independent States were faced with the problem of developing their own separate economic systems. For Austria, Hungary and Czechoslovakia the task was to fabricate a new system from the ground up; for Yugoslavia and Rumania it was rather to absorb the segments of territory that had fallen to them into systems which had already developed as independent kingdoms. In each case the result was the same. Actuated by a strong desire for political independence, and accustomed to link political subjection with economic domination, each State permitted political nationalism to carry it to extreme economic nationalism.

In setting out to become completely independent, economically as well as politically, the five Danubian States resolved themselves into so many rival economic units at war with one another. Free trade or low tariff areas were surrounded from 1921 onward, and especially after 1924-25, with prohibitive tariff walls—literally thousands of miles of new tariff frontiers. Express trains now take three hours longer than before the war to cover the 300 miles from Vienna to Cracow because of new stops for customs examinations; between Budapest and Czernowitz (450 miles) six frontiers are crossed, with a customs barrier at each. The manufactures of Austria and Czechoslovakia no longer move with any facility to Hungary; the Hungarian peasant's grain no longer finds its easy pre-war outlets. Consequently the peoples of the five States that formerly dealt chiefly with one another now trade principally with Germany, Italy and other non-Danubian countries. By 1925 only 43 per cent of the trade of the five States was with one another, by 1930 only 35 per cent, and the ratio is still declining. The two industrial States, Austria and Czechoslovakia, annually import agricultural products worth

\$900,000,000, but the three agricultural States, Hungary, Yugoslavia and Rumania, can dispose of little of their \$450,000,000 worth of surplus farm products there; conversely, the industrial export surplus of the first two States finds little access to the markets of the other three, although they annually absorb \$500,000,000 worth of foreign manufactures.

In furtherance of economic independence, States formerly almost wholly agricultural—Hungary, Rumania and Yugoslavia—deliberately embarked upon a program of industrialization. For this there may have been good reasons, such as the desire for economic diversification and for greater ability of defense in time of war, besides considerations of general national prestige. But the effect was to stimulate demand for the protection of infant industries and to raise up interests whose only chance of survival seemed to lie in continued protection by ever mounting tariffs and other devices of economic nationalism. Until now this development has not gone far owing to lack of capital and general economic insecurity. But its significance lies not so much in the number of new plants or value of output as in the frame of mind it reflects and its influence upon national attitudes and policies. Effects already apparent include retaliatory intensification of agriculture in the industrial States, particularly Czechoslovakia, which, in so far as successful, diminishes markets for foodstuffs from abroad and increases prices of manufactures to consumers in the industrializing countries. The policy may eventually be justifiable, but at a time when their basic interest—agriculture—is in a critical condition, Hungary, Yugoslavia and Rumania are making a bad situation worse by artificially stimulating and maintaining industries for which they are not naturally fitted.

The recent conference in London to establish a Danubian economic union

represents but one of many attempts made to curb the isolation policies of the past decade. The Pontorose conference of 1921 drew up a protocol for freedom of trade among the States occupying the lands of the former Dual Monarchy, but no government was willing to ratify it. Four years later Austria sought a preferential tariff régime with Czechoslovakia, but Italy insisted on being a party, and the project failed. In the same year (1925) an unofficial Central European economic conference, held at Vienna under Austrian initiative, proposed a permanent commission to prepare the ground for a Central European economic union. Nothing came of the suggestion, or of similar proposals by a number of later conferences. More recently—apart from the British-French proposals of February and March—the idea of economic union has been urged by a conference held on Feb. 12 at Brno, Czechoslovakia, by representatives of four States called together by the Central European Institute and affiliated bodies, and by the Financial Committee of the League of Nations in its thought-provoking report, submitted to the League Council on April 1, on the financial situation of Austria, Hungary, Bulgaria and Greece.

Although originally disposed to make the formation of a tariff union the prerequisite to financial assistance, the Financial Committee of the League was obliged to recognize that such relief could not safely be allowed to await completion of tedious and—as it developed—futile negotiations on the union project, with Hungary already operating under a moratorium, Bulgaria and Greece hesitating on the brink, and Austria certain to travel the same road unless heroic measures were soon taken.

Thus it was that such experts as Norman H. Davis and Robert E. Olds, Sir Otto E. Niemeyer, Sir Henry Strakosch and Dr. Kempner in Paris on March 3 attended a meeting expected to last only about a week, but



requiring, in point of fact, almost a month. Confronted with the problem of how financial support can be found for countries whose credits are exhausted and yet who must have money, and with the no less difficult question of the inviolability and priority of League loans, the committee found its task made heavier by incessant pressure from governments—particularly those of Bulgaria and Greece—for definite promises and for instant relief, as well as by the fact that even in France private investors have become chary of putting more money into intergovernmental loans.

The committee's arduously wrought report pronounced the strain on the embarrassed countries a consequence largely of world conditions whose future course cannot be predicted. No present hope was held out for more than palliatives "to gain a breathing space" and "to arrest the present tendencies to disaster." Governments were told that they must stop strangling trade by raising tariffs, that general budget reductions must be carried out, that expenditures on armaments must be curtailed. Without mention of any specific scheme, the idea of a Danubian economic union was warmly endorsed. Finally, certain "small help" for four of the States was urgently advocated with a view to averting "the necessity for much more far-reaching and difficult assistance later."

Bulgaria was recommended to reduce by 50 per cent the service on her external debt from April to September, when (provided the budget is balanced and League control tightened) her situation would be re-examined. In anticipation of some such recommendation, a Cabinet council at Sofia, after an all-night session, decided on March 16 not to declare a general moratorium, and also to pay interest amounting to \$320,000 due on foreign indebtedness on the previous day. Then, on March 29, without waiting for League action finally to be taken, the government announced

through Premier Mushanov, a 50 per cent moratorium on all external debts for six months. Money thus released was to be devoted to balancing the budget.

For Greece the committee's recommendation was that while service on the external debt should be maintained, amortization of existing loans should be suspended and a new loan of not more than \$10,000,000 made. Premier Venizelos, declaring that he could not assume responsibility for the payment of \$1,875,000 due for interest and amortization on April 1, had indicated that he would resign unless the committee agreed not only to a five-year moratorium on payments on the foreign as well as the domestic debt, but also to a loan of \$50,000,000 from Great Britain and France. Dissatisfied with the partial relief proposed, Venizelos carried out his threat; but after the People's party refused to join in forming a coalition Cabinet, he announced on March 29 that he had consented to remain at his post.

As for Hungary—where, on April 1, it was reported that national expenditures had exceeded the budget by \$7,500,000 for the first half of the fiscal year—the committee admitted that the existing moratorium should continue, pending an improvement of the economic situation which would permit a new arrangement with creditors.

Finally, in the case of Austria, the necessity of a \$14,000,000 loan was stressed in order to tide the country over its present crisis without forcing it to suspend service on its foreign loans. As a condition for future grants of money the committee insisted not only that League control be strengthened but that League loans be accorded absolute priority.

The League Council was scheduled to meet on April 12 for consideration of the committee's recommendations, and at this writing the decision had not been reported. The failure of the

London Conference has not necessarily doomed the proposed economic union, however, for it should be remembered that the outlook for such a union is dependent primarily on the attitude of the five Succession States that presumably would belong to it.

The State which most desires some kind of union is Austria, for none has been put in a more difficult situation by the peace treaties and their aftermath of isolationist economic policy. Austrian opinion seems to remain preponderantly favorable to forming a customs union with Germany. But, the *Anschluss* having, for the time being at least, become impossible, a Danubian union is strongly supported as an alternative. Through it, the truncated republic would regain easy access to the markets and to the sources of foodstuffs, fuel and raw materials of the eastern parts of the old Dual Monarchy, while obliged to reshape her present economic system less drastically than any of her co-partners.

Agricultural Hungary, in seeking to develop herself as a self-sufficing economic entity, has of late made the protection of industries the main objective of her tariff policy. She is beginning to realize that for a long time to come her huge agricultural surplus cannot be absorbed by an industrial population, which at best will grow but slowly. With agricultural Rumania and Yugoslavia in the union, and with Czechoslovakia and Austria seeking to develop their own agriculture, Hungary, however, doubts whether any mere Danubian confederation can solve her problem. Prime Minister Karolyi and Foreign Minister Walko are definitely on record for the principle of economic rapprochement. Yet Hungary would prefer some form of union extending beyond any or all the Danubian States and probably including Germany, with whom she has actually just concluded a treaty under which her farm products will be admitted to the Reich at preferential rates.

Yugoslavia and Rumania hold to somewhat the same point of view as Hungary. Both are animated by an intense nationalism which expresses itself in a stronger desire for economic relations outside the Danube sphere than inside it. In spite of political differences, Yugoslavia's principal foreign market is Italy and, like Hungary, she does not see any great prospect of increased outlets for farm products in the limited food-importing sections of the proposed union. Her hope lies, rather, in the larger countries of Northern and Western Europe which at present import foodstuffs from overseas. Rumania's position is practically the same, and both States, though favorable in principle to the British-French proposals, feel little need for anything more than can be attained through ordinary bilateral commercial treaties with the other Danubian States.

Czechoslovakia is even more skeptical. Premier Udrzl has referred to the recent proposals as "fantastic" and as merely foreign "trial balloons," and though Foreign Minister Benes has declared his country's willingness to cooperate for closer economic relations in Central Europe, the language which he employed was interpreted in some quarters as an invitation to Germany to block a plan of French sponsorship which Czechoslovakia would not care to sabotage directly. Since her future export trade manifestly looks to Central and Western Europe and overseas countries rather than the Danubian States, Czechoslovakia would welcome a regional preferential régime in the latter area but doubts its advantage to her, and certainly is not interested in a complete economic union, which she regards as an impossibility, for political if no other reasons. Of all Danubian States, Czechoslovakia is most hostile to anything savoring of resuscitation of the Dual Monarchy in any form; like Yugoslavia and Rumania, she is unable to envisage an economic union



wholly compatible with full national sovereignty.

One would thus conclude that, with the Danubian States left to their own devices, there could be no union—at least none beyond such as would result from a casual and hazardous network of separate bilateral treaties. But the drama of European economic rehabilitation is unfolding on a larger stage than merely the Danube Valley. The economic fortunes of Austria, Hungary and the rest are bound up with those of Europe, and even of the world. The four great powers of Central and Western Europe—France, Great Britain, Germany and Italy—are vitally interested, and so is the League of Nations. Three of these powers are signatories of the peace treaties which affect the Danubian States, and all have most-favored-nation commercial agreements with these States, necessitating special consent before arrangements involving exceptions can be made. Moreover, the powers and the League are not only interested, but active and determined; and they have the whip-hand. Two of the five Danubian States—Austria and Hungary—are financially in an extremely bad way. Two others—Yugoslavia and Rumania—keep going only with the aid of foreign loans. Even Czechoslovakia, the most favorably situated of the five, has lately had to resort afresh to the bankers of France. Sheer financial necessity may compel decisions that would never be taken voluntarily.

The obstacles are, however, weighty. Apart from the hesitancy of four of the five Danubian States themselves, due to post-war nationalism and differing opinions about the efficacy of the plans proposed, there are four serious obstacles. The first is the difficulty of the form that an economic union should take. Should it, according to France's rejected proposal, consist merely of a system of all-round preferential tariffs, with a

full-fledged customs union as an ultimate goal, or should it, as Britain proposed, be such a union, operating from the start in a restored free-trade area? And what agency should be empowered to devise a detailed plan—the European Commission of the League or some other League arm, or a conference or other body set up by the five States themselves? A second obstacle is the inevitable dissatisfaction in neighboring States, notably Poland and Bulgaria, unless their interests are recognized equally with those of the Danubian States. Both Poland and Bulgaria wish to be included, and the Bulgarian plea has been endorsed by the League's Finance Committee. A third difficulty is that making the Succession States once more an economic entity would cause almost as great a dislocation of existing relationships as did the dismemberment of the peace treaties, so that gains in one direction would, for the present at least, be losses in another.

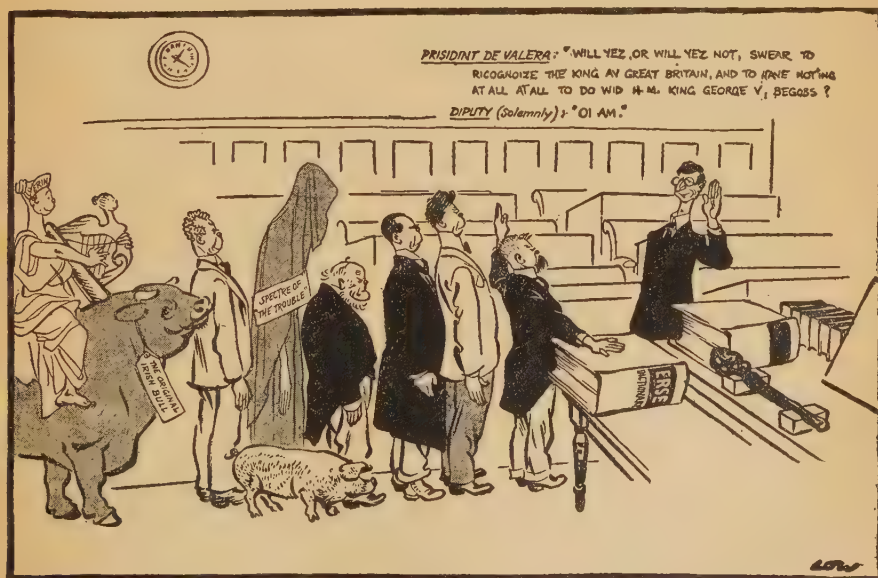
Finally, perhaps the most serious obstacle is that such a problem unfortunately cannot be dealt with on its merits apart from political considerations. In Berlin and Rome, recurring French interest in a Danubian union has always been and still is, as events in London showed, construed as a desire to clamp a French hegemony more firmly on Central Europe. Hence the British Government, which has similar misgivings, urged a four-power conference, participated in by Germany and Italy, so that neither Britain and France nor certainly France alone should seem to be pushing the matter to the exclusion of other legitimate interests. Counter-charges that Britain is seeking to regain her prestige abroad, and even to "dominate" Europe, have helped to blur the issue. An anxious world will be fortunate if eventual Danubian rehabilitation does not come to grief, as did the recent conference, in the quicksands of international jealousies and recriminations.

# Current History In Cartoons



CUTTING IN

—London Evening Standard



ADMINISTERING THE OATH AT DUBLIN PARLIAMENT

—London Evening Standard





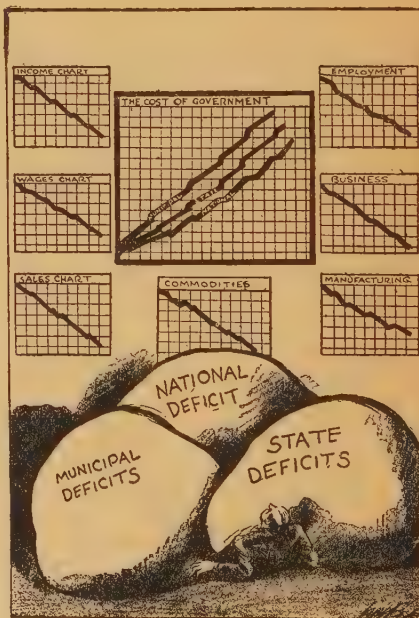
CAUGHT!  
—St. Louis Post-Dispatch



THIS IS GOING TO BE GOOD  
FOR ME  
—Brooklyn Eagle



OLD ENOUGH TO BE TOLD, NOW  
—New York Herald Tribune



AGAINST THE TREND  
—Boston Herald



**AFTER THE NEXT WAR**  
Sole survivors, the League of Nations  
delegates refer the 957th disarmament  
proposal to a mixed commission  
—*Simplicissimus*, Munich



**A FRACTIOUS CHILD**  
Hindenburg: "Nein, nein! Mustn't  
play with naughty guns!"  
—*Boston Herald*



**BRITISH TRADE PREFERS NOT  
TO REMARRY GOLDIE**  
—*London Daily Herald*

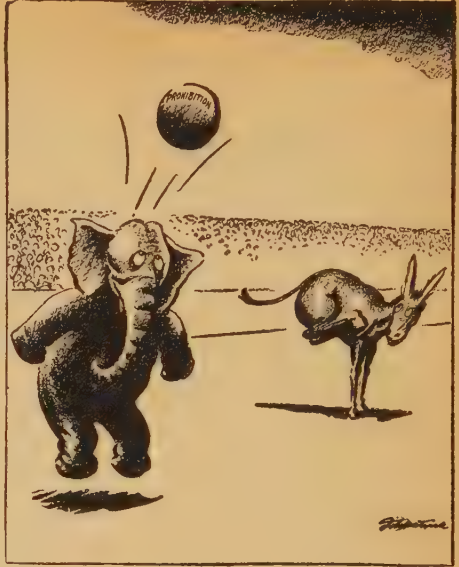


**GOING OR COMING?**  
—*Oakland Tribune*





FOR  
MEDICINAL  
USE ONLY  
—Cleveland  
Press



PROHIBI-  
TION  
SOCCER  
—St. Louis  
Post-Dispatch



WOULD THIS BE "INDEPENDENCE"?  
—New York Evening Post

# A Month's World History

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## International Hopes and Fears

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By JAMES THAYER GEROULD  
*Princeton University; Current History Associate*

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NEITHER a prophet nor the son of a prophet is needed to predict that the coming two or three months will witness events which will determine whether the economic life of the world is to start on the road to recovery or is to take a turning that may lead to anarchy and such general distress as history has never known. Already 8,000,000 Americans are without work, 6,000,000 Germans, nearly 3,000,000 Brit-ishers. With the exception of Russia, the same thing is relatively the case in every nation that calls itself civil-ized. We are paying for the war, and even more for the frenzied results of passion and greed which followed it. In place of a remedy political leaders have nothing to offer except either higher tariffs, quotas and trade re-strictions—the nostrums that have been, and still are, responsible for so much suffering—or nationalistic programs that range from the impos-sible to the vicious.

War debts and reparations, ex-cessive expenditures on government and on armament, tariff barriers and unjust treaties, the maintenance of national prestige that rests on the assertion of power—all have contrib-uted to create a condition that is

little short of catastrophic. There is no doubt as to the causes, but there is no effective leadership in providing a remedy. No one of the national and international problems involved can be solved separately. Disarmament waits on security, and that, so it is claimed, on the maintenance of the boundaries established by the peace treaties. The relation of war debts and reparations is an article of faith in all the allied countries, and repara-tions cannot be paid because of tariffs.

The key to the European situation is in the hands of Great Britain and France, and neither nation can use it alone. The end which the two na-tions seek is the same, but they can-not agree on the method of approach. Conversations have been going on for months, but as yet without result. The British Government believes that reparations and war debts are largely responsible for the breakdown of in-ternational exchange and of the gold standard and for the deflation of world prices that has accompanied it. Great Britain is quite willing to can-cel the debts and to cut its losses—if necessary, without the cooperation of the United States. It regards the present situation in Germany as a



menace to all Europe. The restoration of that country would mean not only freedom from present danger, but larger markets for British goods and the salvaging of the large investment made in German industry. British public opinion is, moreover, distrustful of France and the use she is making of her political and financial power. With her self-confidence somewhat restored by the events of the last few weeks, Great Britain seeks to regain her former influence in Continental politics and a more even balance of power.

France, on the other hand, while equally concerned about the economic and financial situation, is still not ready to loosen her hold on Germany. She recognizes that potentially her former enemy is economically the stronger nation, and that, freed from reparations and other penalties established by the Versailles treaty, her own European position would be threatened. Still greater is her fear lest any concessions on her part, involving a revision of the treaty, should be the signal for attempts at territorial readjustment that would be a serious menace to peace. By no possible revision of boundaries can all the minorities be satisfied. What is needed is a period of calm, during which the Germans in Poland and the Hungarians in Rumania and Yugoslavia may become adjusted to alien rule. France forgets, conveniently, Alsace-Lorraine. For the present, possibly for a period of years, she is willing to forego cash payments by Germany, provided that the principle of reparations is maintained. As for her obligations to the United States, the vague suggestions coming from Washington of a possible revision following a settlement of the reparations question leave her quite cold.

Notwithstanding all this, there is a clear recognition that something must be done. The recent discussions in London incident to the proposed Danubian union (see Professor Ogg's

article on pages 191-196 of this issue) gave a clue as to what this can be. What follows may depend on the results of the French elections in May. If the French vote swings toward the Left, as seems likely, and if, in the interim, nothing happens in Germany to inflame French suspicions, the Lausanne conference in June may be a success.

### *THE DISARMAMENT CONFERENCE*

After a month spent in necessary preliminary discussion the disarmament conference got down to business on March 8 with the adoption of a series of rules which determine the method by which it is to deal with the twenty-four main questions of principle which are on its agenda. Some of them must be discussed in detail by the General Commission or the Political Commission before they are in shape for the technical committees; others need only a brief consideration before they are passed on; problems of a third sort are handled first by the technical committees, and the result referred back to the General Commission; still others must be solved by direct negotiation between two or more delegations.

The Military and the Naval Commissions held their first meetings on March 9. Something of the difficulty under which they labor is due to the varying practice in the use of words. What, as a matter of fact, is an "effective"? Usage differs, and the Preparatory Commission does not appear to have found an answer to the question. Nevertheless, an exact definition must be accepted by all before there can be intelligent discussion of limitation of these "effectives." Add to this difficulty the fact that decisions already reached by the Preparatory Commission may be called into question, and the situation becomes even more complex. Article XX of the draft convention, for example, specifically forbids a country in

which a war vessel is being constructed on the order of a foreign power to seize and use the vessel in the event of war. The British delegate, Admiral Pound, tried to upset this on the ground that in an emergency no nation would keep its word, but after a vigorous speech by Senator Swanson, which was supported by the French, Italian and Japanese delegates, the article was adopted. There was similar action on Article XVII, which forbids the acquisition or construction of any vessel of war which in displacement or armament exceeds the limits agreed upon, and on Article XXI, which provides that every power is obliged not to transfer any of its vessels of war "in such a manner that such vessel may become a vessel of war in the navy of any foreign power." For motives of economy, there is a general demand that the rules for replacement, as laid down in Annex IV of the draft convention, should be revised so as to lengthen the life of warships.

On March 19 the conference adjourned until April 11, though the interval was to be employed by many of the delegations in a more exact formulation of their proposals and in relating them to similar suggestions made by the other delegations. Meanwhile, the decision of Secretary Stimson to go to Geneva to take his place for a short time with the American delegation was looked upon, both in this country and abroad, as a distinctly encouraging event.

A possible addition to the American program is that contained in the Fish resolution, reported by the Foreign Affairs Committee of the House on March 16. By its terms the delegation is "requested to propose a multilateral agreement renouncing the sale or export of arms, munitions or implements of war to any foreign nation." Such action, either by Congress or by the disarmament conference, is certain to meet the determined opposition of those sinister forces which, just underneath the surface, are doing

their utmost to prevent any effective control of armament.

### *THE UNITED STATES AND THE LEAGUE*

Secretary Stimson's letter to Mr. Borah on American policy in the Far East (printed in full in the April issue of this magazine), coupled with his identic notes to China and Japan on Jan. 7 and his statement on March 11, represents a development in the foreign policy of the United States more significant than is generally realized. While all these documents deal with the Far Eastern situation, the principle enunciated must be of general application. What Mr. Stimson has done is nothing less than to range the United States alongside the League in defense of "the territorial integrity and political independence" of the nations signatory to the Pact of Paris. He does not use these words; they stand written in Article X of the covenant of the League. But his meaning is quite clear. He has done more than this, for he has added a new sanction to those enumerated in Article XVI.

In the notes of Jan. 7, Secretary Stimson asserted that the United States Government "does not intend to recognize any situation, treaty or agreement which may be brought about by means contrary to the covenant and obligations of the Pact of Paris of Aug. 27, 1928." In the letter to Mr. Borah, speaking both of the Nine Power Treaty and of the Pact of Paris, he says: "These two treaties represent independent but harmonious steps taken for the purpose of aligning the conscience and public opinion of the world in favor of a system of orderly development by the law of nations, including the settlement of all controversies by methods of justice and peace instead of by arbitrary force." Later in the letter, referring to the notes of Jan. 7, he says: "If a similar decision should be reached and a similar position taken by the other governments of the world, a



caveat will be placed upon such action [violation of the two treaties] which, we believe, will effectively bar the legality hereafter of any title or right sought to be obtained by pressure or treaty violation."

This was plainly an invitation to the League to formulate a "similar decision," and the Assembly did this in its resolution of March 11, which was passed unanimously, except for the abstention of China and Japan. As, according to the rules, members who do not vote are regarded as absent, legally the decision was unanimous. The resolution opens with an affirmation of the principle of the scrupulous respect for treaties and an assertion that the provisions of the covenant are entirely applicable to the present dispute, including specifically the Manchurian question. It then restates the principle contained in the resolution of the Council of Feb. 16 (see *CURRENT HISTORY* for March, page 54), which definitely refers both to Article X of the covenant and to the Pact of Paris, and is to the effect that "no infringement of the territorial integrity and no change in the political independence of any member of the League, brought about in violation of Article X, ought to be regarded as valid." The Pact of Paris is again invoked, not only as strengthening the League position, but obviously for the purpose of leaving no doubt as to its association with the principle enunciated by Mr. Stimson. Pending a decision that the Assembly may take following the report of the committee of nineteen, which is to attempt to bring about a cessation of hostilities, it is "incumbent on members of the League not to recognize any situation, treaty or agreement which may be brought about by means contrary to the covenant."

Mr. Stimson's statement on the same day, following the receipt of the text of the Assembly's resolution, was one of unqualified approval. "The action of the Assembly," he said, "expresses the purpose for peace which is

found in both the Pact of Paris and the covenant of the League of Nations. In this expression all the nations of the world can speak with the same voice. This action will go far toward developing into terms of international law the principles of order and justice which underlie those treaties, and the government of the United States has been glad to cooperate earnestly in this effort."

The application of this doctrine may be very far-reaching. The United States has refused to recognize the puppet government of Manchuria, but so long as the legal fiction of independence is maintained, our diplomatic relations with Japan need not be disturbed. Should Japan, however, formally annex Manchuria, as she is not likely to do, a serious question would arise as to whether it would not be necessary to withdraw our embassy. It scarcely seems possible that we could recognize one part of a country while refusing to recognize another part. Certainly the State Department would feel obliged to interpose an objection to a contemplated loan, under the present situation, to the Manchurian Government, and, in the hypothetical case, to Japan. This would be the application of an economic sanction, and the difference between an embargo on money and an embargo on goods is not very great.

Thus do events make it necessary for us, year by year, to come to a closer association with the League.

#### UNITED STATES AND THE WORLD COURT

The opponents of the World Court are leaving nothing undone which may delay action on the protocols which must be ratified by the United States Senate before we can adhere to the statute. Friends of the measure feel sure that if the protocols can be brought to a vote, they will pass. The tactics of those who oppose them is to prevent a favorable report by the Foreign Relations Committee. On March 16 motions for delay were made

by Senator Pittman of Nevada and Senator Lewis of Illinois. The Pittman resolution requested the President to ascertain if the signatories to the protocols had agreed that the Court cannot, without the consent of the Senate, entertain a request for an advisory opinion in a matter in which the United States claims an interest. Senator Lewis desired that further discussion should be postponed until after the close of the Disarmament Conference, when Senator Swanson can report "on the actual and true feeling" of other governments toward the United States. A group of women, calling themselves the National Woman's Party, has demanded through Senator Lewis an additional reservation, making our adherence dependent on the agreement by the Court to administer a "code of law that shall not

contain inequalities based on sex."

Secretary Stimson, in reply to a request by the Foreign Relations Committee for his opinion as to whether the first protocol fully accepts the five reservations contained in the Senate resolution of 1926, addressed a letter to Mr. Borah on March 22, in which he states emphatically that he is in complete agreement with the view of Elihu Root, the author of the protocol, that the interest of the United States is protected.

If action is not secured during the present session, it is doubtful if the protocols can be brought to a vote during the short session which will open in December. In the meantime, William Randolph Hearst announces his purpose to make the November elections "a solemn referendum of the American people on the World Court."

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## Congress Wrestles With the Budget

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By E. FRANCIS BROWN

*Associate Editor, Current History*

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THE attention of the American people, so far as it could be diverted from individual and local problems arising from the present period of social chaos, has been concentrated during the past month upon the struggle in Congress to balance the national budget. For three months after the convening of the Seventy-second Congress in December the country was treated to the spectacle of a seemingly docile legislative body obeying without much question the bidding of its leaders and voting, regardless of party affiliation, for the program designed by the Republican Administration to rehabilitate our economic life. Probably no one should have been so naïve politically as to have expected this Congressional docility to continue for

long; yet, when the House Ways and Means Committee on March 9 introduced its bill for raising enough revenue to balance the Federal budget, the country at large apparently expected that the bill would be passed quickly and easily.

The heart of the bill (see April CURRENT HISTORY, page 86) was a 2.25 per cent general manufacturers' sales tax, which was expected to raise \$595,000,000 of the \$1,241,000,000 needed to balance the budget. The Ways and Means Committee reported that "there is no other source of revenue which will yield the amount imperatively required with as little protest, as little annoyance and as little disturbance to business as a manufacturers' excise tax." But the committee was to be sadly disillusioned.



sioned. Opposition to the bill appeared in Congress immediately, and the sales tax bore the brunt of the attack. Although the bill was ostensibly a Democratic measure, since the party is in control of the House, the attack upon the bill and upon the sales tax in particular was made by Democrats. After several days of so-called sniping the Democratic leaders seemed to have the situation in hand, and, with the added support of a nation-wide appeal by Secretary of the Treasury Mills, there seemed to be little uncertainty that the bill would pass the House.

On March 16, however, a caucus of Democrats was held to organize plans for defeating the sales tax, a manoeuvre in which they were supported by the Progressive Republicans, led by Representative La Guardia of New York. The House leaders, apparently still confident that their tax proposals would be enacted, attempted to prevent the threatened mutiny among their followers, but failed completely, when, on March 18, after a stormy discussion of the bill introduced by the Ways and Means Committee, a coalition of rebellious Democrats and Republicans began to tear it to pieces. The first move was to "conscript wealth" by raising the proposed surtax rates on incomes from a maximum of 40 per cent to 65 per cent; the rate on incomes above \$8,000 was raised from 5 per cent to 7 per cent. The House leaders now saw plainly that the sales tax was in a precarious position. Furthermore, the breakdown of Democratic unity seemed to threaten the party's prestige on the eve of the national election. In the hope of saving the situation the House leaders—after the opposition had struck from the bill the clause crediting domestic corporations with taxes paid at foreign branches—on March 19 adjourned the House until noon on March 22.

In the interim the Ways and Means Committee sought to appease the opposition by exempting farm implements, wearing apparel, food, medi-

cal supplies and many other items from the sales tax, while the party leaders sought to bring the recalcitrants back into line. But the adjournment of the House and the tactics of the leaders proved fruitless. On March 22 the House adopted an amendment to the revenue bill which increased inheritance taxes to a maximum of 45 per cent on estates of more than \$10,000,000, and finally, on March 24, amid cheering and yelling the House, by a vote of 223 to 153, struck the sales tax from the revenue bill.

Meanwhile, the average citizen was perplexed by the merits of the issue which had arisen in Congress. Conservative journals assailed the action of the House rebels, maintaining that the sales tax was a just and easy means of raising revenue. The liberal organs, on the other hand, assailed the manufacturers' levy as placing a burden eventually upon the consumer and especially upon the poor. Further, it was maintained that the much attacked "soak the rich" attitude of the anti-sales tax group was just and sound. Amid the charges that the insurgent Democrats had destroyed their party's hopes of carrying the election in November, some observers, secretly at least, welcomed the return of a more determined liberalism in the American Congress and ignored the conservatives' cry of demagoguery.

Yet sales tax or no, the need still persisted for passing a revenue bill which would balance the Federal budget. On March 25 President Hoover appealed for a balanced budget, while the House moved to find new sources for revenue. While a proposal to legalize 2.75 per cent beer as a basis for new taxes was defeated, import taxes were levied upon oil and coal. Finally, on March 29, the House revolt virtually came to an end following a dramatic appeal by Speaker Garner for passage of a revenue bill. While only a simple, patriotic speech, it thrilled political observers at Washington, and regained for Mr. Garner his leadership of the House.

Within four hours of the Speaker's appeal, the House had adopted eleven excise taxes—on cosmetics, furs, jewelry, matches, cameras, automobiles and other commodities—and restored the foreign credits provisions which had been struck out in the early period of the House revolt. During the next few days the House voted to raise the first-class postage rate from 2 cents to 3 cents an ounce and to levy a fee of one-fourth of 1 per cent on all stock transfers, with a minimum rate of 4 cents a share. The 40 per cent surtax rates on incomes above \$100,000 were restored. On April 1 the House, by a vote of 327 to 64, adopted the rewritten tax bill, which was then transmitted to the Senate.

The new bill was expected to raise \$1,032,400,000 in revenue, which, when supplemented by \$230,500,000 in governmental economies and minor postal increases, would provide \$21,900,000 more than is needed to balance the budget for the fiscal year 1933. Nevertheless, the Secretary of the Treasury expressed serious doubts whether the budget had been balanced by the House bill, because the likelihood of real and substantial reduction in governmental expenses was highly uncertain.

In any case, the probability was great that the House bill would be largely rewritten in the Senate. On April 6, Secretary Mills expressed disapproval of many items in the bill and urged far-reaching changes before final enactment. In spite of the administration's anxiety that the bill should be passed as quickly as possible, leading Senators of both parties declared that the bill might not be out of the way before the meeting of the nominating conventions in June.

The possibility of an unbalanced budget has probably affected business conditions somewhat and certainly has aroused fears in Europe concerning American financial soundness. Although these fears seemed to be

groundless, the continued delay in voting taxes added to the feeling of disquietude.

If the voting of taxes aroused opposition among interested groups, the effecting of economies in government operation was hardly more popular. Ever since Congress assembled, plans have been afoot for reducing the cost of government, but in spite of various proposals and appeals by President Hoover, little progress has been made. After all serious economy plans seemed to have failed, the House Democrats on March 14 adopted a resolution extending the life of the previously appointed economy committee and granting it power to report by bill or otherwise measures of economy. Immediately attention was directed toward reducing the salaries of Federal employees. On March 23 Representative Byrns, chairman of the Appropriations Committee and also of the Economy Committee, announced that one plan to be introduced in Congress would reduce all salaries 11 per cent, with an exemption of \$1,000. This proposal, he declared, would mean saving about \$67,000,000. Meanwhile, organized labor has been agitating against a reduction of the salaries of Federal employees, contending that it would be used by industrial leaders as an excuse to lower wages throughout the country.

On April 4, a few minutes after the House revenue bill was received in the Senate, a special message from President Hoover was delivered to Congress in which he recommended the creation of a joint Congressional and Executive board to effect reductions of more than \$200,000,000 in governmental expenditures. Immediately a torrent of criticism was let loose upon the President. Senator Robinson of Arkansas, the Democratic leader, declared that budget-making was an Executive function which should not be shifted to Congress. Representative Byrns declared: "The President has submitted another message urging reduction in expenditures by way of



consolidations, but in this message, like in former messages, he makes no suggestions as to the consolidations which may be effected in the interest of economy." Senator Borah spoke against the President's message in a similar vein. The next day the President reiterated his plea that Congress designate delegates to "sit down with representatives from the administration and endeavor to draft a comprehensive, general, national economy bill." On April 9, a tentative agreement for reducing Federal expenses between \$160,000,000 and \$210,000,000 was reached at a conference between President Hoover and the House Economy Committee. Expenditures cannot be reduced without hurting some one, and Congress and perhaps the President are loath to alienate possible votes in the campaign next Fall.

A potential menace to the balancing of the budget, and possibly to the financial stability of the country, is the proposal for full payment to World War veterans of their adjusted compensation certificates, a measure which it is estimated would add about \$2,000,000,000 to the burden of the treasury. The movement for enactment of the bill has continued in spite of a declaration by President Hoover on March 29 of his opposition to the proposal and his expression of the fear that the bill, if passed, would undermine the credit of the country. On April 5 Henry L. Stevens, national commander of the American Legion, expressed disapproval of the bonus payment at this time, but whether the bill could be defeated was uncertain.

Representative Patman of Texas has advocated the payment of the bonus certificates through the issuance of additional currency, a possibility that is viewed with horror by all supporters of sound money. Yet here again is the feeling which has accompanied the government's program to restore the national economic life. If something can be done for finance and industry, why not something for

the common man? The supporters of sound finance fight against that sentiment, as well as the movement for currency inflation, and the growing attitude on the part of some economists and political leaders that balancing the budget at the present time is a fetish not worth paying homage to.

Government income meanwhile continues to show a steady decline. At the end of the ninth month of the present fiscal year, government expenditures showed an increase of \$451,000,000, while receipts had decreased \$836,000,000. The decline in income taxes accounted for most of this decrease, falling \$753,000,000 during the past nine months, as compared with the same period a year ago. March income tax returns fell \$139,000,000 from the total for March, 1931. The public debt on March 31 was \$18,506,720,000—an increase of \$1,924,000,000 in a year.

### THE GLASS BANKING BILL

Besides questions relating directly to the budget, Congress has been occupied with the important Glass bill for overhauling the Federal Reserve System (see March CURRENT HISTORY, page 834), which aroused the opposition of leading bankers when first introduced in Congress early in the year. It was later sent to a Senate subcommittee for revision and was reported to the Senate by the Banking and Currency Committee on March 17. The bill proposes the separation of national banks from affiliate corporations, the curbing of "chain banking" and the encouragement of branch banking. Brokers' loans by members of the Federal Reserve System would be subject to check, and the Federal Reserve Board would be given jurisdiction over operations in the open market. Under one provision officials of banks which had "persistently done an illicit and irregular business" would be liable to suspension. The bill also would establish a liquidating corporation which would handle the as-

sets of closed banks and would aid the depositors of these banks. Included in the many sections of the bill are provisions altering some of the technical requirements for membership in the Federal Reserve System.

As the result of pressure from many quarters, the Senate Banking and Currency Committee decided to hold public hearings on the Glass bill. At these hearings, which began on March 23, and in which the leading bankers of the nation, including the Chairman of the Federal Reserve Board, appeared, general opposition to the bill was expressed because of its "extremely deflationary provisions." The bankers' prophecy of disaster if the bill should pass awakened memories in the minds of many besides Senator Glass of the similar attitude of the banking fraternity to the establishment of the Federal Reserve System in the early days of the Wilson Administration. The opposition to the present bill has been so uniform that Senator Glass declared on March 30 that "a regular night school has been held by the bankers. They have all come here and repeated the same objections, using precisely the same phraseology."

### *THE TARIFF BILL*

On April 1 the Senate passed the Harrison tariff bill, which radically modifies the tariff bill adopted by the House earlier in this session of Congress. The bills agree in only two particulars: both recommend the calling of an international economic conference and both take from the President his power to raise or lower rates upon recommendation of the Tariff Commission. Whether the two bills can be reconciled is uncertain, but in any case a bill, if passed, is sure to receive a Presidential veto.

### *PROHIBITION IN CONGRESS*

Prohibition is always with us and during March invaded both houses of Congress. In the House of Represen-

tatives the first test vote on prohibition since the adoption of the Eighteenth Amendment was taken on March 17, when a resolution proposed that the House vote on the question of submission by Congress to the States of a constitutional amendment permitting those States which so desire to establish control of the liquor traffic. Although the resolution was defeated by a vote of 227 to 187, the dry majority was much smaller than was expected. Meanwhile a test vote was planned to be held in the Senate during April, and the subcommittee of the Senate Committee on Manufactures had recommended legalizing 4 per cent beer as a revenue measure and as a stimulant to agriculture and business. The evidence of a growing wet sentiment in both political parties has led to the suggestion that prohibition may be avoided as an issue in the 1932 campaign, since wet delegates may be in the majority in both conventions.

### *ANTI-INJUNCTION LAW*

The Norris anti-injunction bill forbidding the issuance of injunctions by Federal courts against strikers without evidence of danger or injury to the interests against which a strike is directed and providing for jury trials for violators of injunctions, has been passed by Congress and was signed by President Hoover on March 23. The law crowns with success many years of effort by organized labor.

### *THE "LAME DUCK" AMENDMENT*

On April 4 the Legislature of the State of Michigan ratified the proposed Constitutional amendment to abolish the "lame duck" session of Congress. Michigan was the seventh State to ratify, having been preceded by New York, Mississippi, Arkansas, Virginia, New Jersey and Kentucky. The following is the complete text of the proposed amendment as it has been presented to the several Legislatures; the text printed in the April



issue of this magazine was that of a preliminary draft:

Section 1. The terms of the President and Vice President shall end at noon on the 20th day of January and the terms of Senators and Representatives at noon on the 3d day of January, of the years in which such terms would have ended if this article had not been ratified; and the terms of their successors shall then begin.

Section 2. The Congress shall assemble at least once in every year, and such meeting shall begin at noon on the 3d day of January, unless they shall by law appoint a different day.

Section 3. If, at the time fixed for the beginning of the term of the President, the President-elect shall have died, the Vice President-elect shall become President. If a President shall not have been chosen before the time fixed for the beginning of his term, or if the President-elect shall have failed to qualify, then the Vice President-elect shall act as President until a President shall have qualified; and the Congress may by law provide for the case wherein neither a President-elect nor a Vice President-elect shall have qualified, declaring who shall then act as President, or the manner in which one who is to act shall be selected, and such persons shall act accordingly until a President or Vice President shall have qualified.

Section 4. The Congress may by law provide for the case of the death of any of the persons from whom the House of Representatives may choose a President whenever the right of choice shall have devolved upon them, and for the case of the death of any of the persons from whom the Senate may choose a Vice President whenever the right of choice shall have devolved upon them.

Section 5. Sections 1 and 2 shall take effect on the 15th day of October following the ratification of this article.

Section 6. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by the Legislatures of three-fourths of the several States within seven years from the date of its submission.

### OUR ISLAND DEPENDENCIES

In one way or another the nation's island dependencies have been in the limelight during March. The Philippines received front page attention when, on April 4, with but little notice and no debate, the American House of Representatives passed by a vote of 306 to 47 a bill providing for Philippine independence in 1940. The main

provisions provide for autonomous government of the islands pending complete independence, for limited immigration of Filipinos and for restricted importation of Filipino products into the United States. The United States reserves the right, after independence is granted, to retain certain military and naval bases there.

Although Secretary Stimson expressed opposition to Philippine independence at the present time, his statement was ignored by the House, which apparently wished to place final responsibility upon the Senate. In the Philippines the news of the House action was received with mixed sentiments, and even those most anxious for independence were sobered by the realization of the disastrous economic effects which separation from the United States might entail.

Hawaiian crime conditions have been placed in a new light by the report made by Seth W. Richardson, Assistant Attorney General, in response to a Senate resolution. After the sensational charges concerning island conditions that have been made freely since the Massie case first became prominent, it was a surprise to many to learn that conditions were probably no worse than on the mainland. While arraignment of the police for laxity and inefficiency, the Richardson report said: "We found in Hawaii no organized crime, no important criminal class and no criminal rackets." As a result of the report, Senator Bingham has introduced seven bills providing for reforms in the administration of Hawaiian justice and local police organization. The Massie case was again prominent news as the trial of Mrs. Granville Fortescue, her son-in-law, Lieutenant Thomas Massie, and two navy enlisted men for the murder of Joseph Kahahawai opened in Honolulu on April 4, with Clarence Darrow assisting the defendants.

### POLITICAL MANOEUVRES

The pre-convention political campaign proceeds steadily but without

exciting many citizens except those whose interests are tied directly to a particular party or candidate. In the Republican ranks manoeuvres are concerned mostly with selecting leaders for the campaign and in forcing a wet plank into the party's platform. Representative Snell of New York has been chosen permanent chairman of the Republican Convention; but the keynote speaker has still to be announced. Among the Democrats March has seen a steadily mounting number of delegates pledged to the nomination of Governor Roosevelt of New York, a nomination to which there seems to be little organized opposition. Roosevelt supporters have succeeded in forcing the selection of Senator Barkley of Kentucky as keynoter of the convention, but to gain this end had to acquiesce in the recommendation of Jouett Shouse as permanent chairman of the convention. Whether the outcome of the struggle which lay behind these selections could be considered a victory for Roosevelt was debated by political observers. Meanwhile most of the favorite-son movements seem to have petered out, and the supporters of Alfred E. Smith have done little to stop the Roosevelt steam-roller.

### *ECONOMIC DOLDRUMS*

Any one who really expected immediate economic recovery as a result of the Hoover Administration's relief program must have been sorely disappointed as week after week business has continued at a low point of activity and stock values have fallen nearly to the low level of 1921. The most cheerful development in the past month is the steady decline in bank failures as a result of the activities of the Reconstruction Finance Corporation. During February sixteen States and the District of Columbia had no bank failures and in other States an improvement was in progress. Moreover, in the South thirty-one closed banks have reopened since the beginning of the year.

The Reconstruction Finance Corporation between Feb. 2 and March 31 authorized loans amounting to \$238,739,939, of which \$192,346,308 has actually been advanced. Of this amount, \$125,417,141 has been advanced to banks and trust companies and \$56,113,757 to railroads. The largest number of loans were made to applicants in Iowa and Illinois.

Loans by the R. F. C. to railroads came before Congress late in March, when it dawned upon the legislators that President Hoover had brought pressure upon the Interstate Commerce Commission for the approval of a loan of \$12,800,000 by the R. F. C. to the Missouri Pacific Railroad. In this particular instance a portion of the loan was to be used to repay part of a loan made to the road by a banking syndicate headed by J. P. Morgan & Co. Senator Couzens of Michigan, in discussing this loan and others, declared that if the present policy is continued "the government will at least find itself in possession of the least desirable and least profitable railroads." Joseph B. Eastman, a member of the Interstate Commerce Commission, was quoted as having said that government funds were being used to bail out banks which had found their loans to railroads in an unprofitable position. On April 1 the commission repeated its opposition to loans made for the payment of obligations to private banks.

With the decline in bank failures and greater public confidence in financial institutions, the amount of currency in circulation fell between Feb. 10 and March 30 by \$195,000,000. Although for eight weeks the decline had been steady, the total amount in circulation was at the end of March still \$1,049,000,000 more than on March 30, 1931.

The condition of labor, so directly dependent upon general business life, shows no improvement. The usual Spring gain in employment is lacking, according to reports of the American Federation of Labor, and at least



8,000,000 are still without work. The campaign of United Action for jobs had successfully placed 400,000 men, it was stated on April 1, but the drive seems to lack the vigor which characterized its start on Feb. 15.

Strikes in the coal industry have broken out again. In the bituminous coal areas of Illinois, Indiana and Ohio 65,000 miners were estimated to be out of work on April 1 as a result of the failure of operators and union leaders to renew a wage agreement which expired at the end of March. Some rioting and violence has occurred, and in Indiana the Governor threatened to call out State troops to preserve order. In the anthracite fields of Western Pennsylvania a strike called by insurgent elements of the United Mine Workers in the latter part of March threw many miners out of work and brought dynamiting and bombing to the coal towns. At the same time the situation in the Kentucky coal fields again received unfavorable publicity when Eastern college students, seeking to investigate conditions, were expelled from the mine fields by Kentucky officials.

In the world of agriculture the only cheerful news has been the announcement by the Department of Agriculture that the general level of farm prices on March 15 showed an increase of one point over the index for the preceding month, the first improvement in nine months. Moreover, February cotton exports were the largest for that month since 1927. But in general the farm problem is still most acute. In Mississippi, for instance, 16.2 per cent of the agricultural acreage was sold at auction for delinquent taxes on April 5, and the State already owns many thousands of acres which have been forfeited through non-payment of taxes. To make matters worse, tornadoes which swept parts of Alabama, Georgia, Tennessee, South Carolina and Kentucky at the end of March caused over 300 deaths and millions of dollars of damage.

Some future historian will be able to chronicle the social effects of this economic depression, but the contemporary chronicler finds it difficult to discover how far-reaching have been the changes induced by the fall in national income. In the cities, perhaps, the effects are most noticeable, since the unemployed are more in evidence, more stores are vacant and apartment houses have fewer tenants. Occasionally the press prints accounts of the curtailment of the functions of some of the great foundations. What that may mean depends, of course, on the work which the foundation has been subsidizing, but in many instances closing down must entail distress. At the other extreme is the news that the maintenance of various cultural agencies is menaced by the continued depression. The Metropolitan Opera Company of New York is endangered because of lack of funds, and for similar reasons the well-known Summer opera at Ravinia, Ill., will not be given this year.

In good times or bad the church seems to play its part in human life, issuing dicta upon matters of social and cultural import. On March 28 the Federal Council of the Churches of Christ in America issued a report on the question of marriages between members of different religious faiths in which it denounced as "intolerable" the requirements by any church that children of mixed marriages should be pledged to that church. The entire problem of religious membership is one which the report maintains should be worked out before marriage in the interest of religious unity in the future home.

#### LIBERIAN MISGOVERNMENT

In the middle of March Secretary Stimson sent another vigorous note to the government of Liberia, and Lord Snowden, speaking for the British Government in the House of Lords, denounced the conditions of slavery in that country. Other foreign governments joined with these in urgent rep-

representations at Monrovia. The immediate occasion of this action was the report that the Liberian Government had burned the villages of persons who testified before a commission of the League of Nations that slavery exists in Liberia. Proposals have been made that the League take charge of the republic, on the ground that the American Negroes living there have cruelly oppressed the natives and cannot be trusted to administer the country fairly. Another suggestion was that a number of white officials be placed in control of the Liberian administration, with one chief white official as their head. It was felt that this scheme would be better executed if managed by one nation under a kind of mandate than if it were handled directly by the League of Nations. The Firestone Rubber Company, which has a concession to pro-

duce rubber in the country, was understood to be ready to increase its loan to the Liberian Government if the additional sum would be used to rid the country of its scourges of slavery and yellow fever.

#### FREDERICK JACKSON TURNER

Frederick Jackson Turner, Professor of History Emeritus of Harvard University, died on March 15 at the age of 70 at his home in Pasadena, Cal. He was a member of that famous triumvirate of historians, Channing, Hart and Turner, who are known through their writings to all students of American history. By his emphasis on the influence of the frontier in American history he altered the direction of the interpretation of American history and gained for himself the reputation of being one of the nation's great historical scholars.

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## The Mexican Primary Elections

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By CHARLES W. HACKETT

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PRIMARY elections in Mexico to choose candidates for the Congressional and State offices that are to be filled at the general election in July were held on April 3. While the primary embraced all political parties, it was, in effect, a private settlement of rivalries within the dominant National Revolutionary party. Although efforts to preserve order were, in the main, successful—over 60,000 Federal troops were on duty for that purpose—twenty-two people were injured in election riots in the Federal district, and one person was killed in a riot at Tamaulipas. A few other disorders of a minor character were reported, but for the most part quiet prevailed in the 3,000 voting districts and subdistricts. One of the

surprises of the election was the apparent defeat, based on early and incomplete returns, of former President Emilio Portes Gil in his race for the nomination by the National Revolutionary party for the Governorship of Tamaulipas.

Additional coinage of silver pesos, designed to relieve the currency stringency in Mexico, has been authorized by a decree of the Ministry of Finance. The minting of the silver is to be controlled by the Bank of Mexico and will be limited to an amount considered urgently necessary by the bank's board of directors.

As the result of a new law, which became effective on March 1, requiring that at least 90 per cent of the employes of industrial, financial and



commercial concerns in Mexico must be Mexicans citizens, unemployment faces more than 5,000 foreigners in Mexico City and thousands of others throughout the country. Spanish and French employes were affected most seriously, although a considerable number of Chinese, Germans, Americans and British were also involved.

#### *NON-RECOGNITION OF EL SALVADOR*

The United States Department of State in mid-March notified the British Embassy in Washington that the United States Government does not intend to recognize the revolutionary government of President Maximiliano Martínez in El Salvador. The inquiry of the British Embassy was said to have been prompted by a report from the British Chargé d'Affaires in San Salvador that recognition of the Martínez régime might be advisable.

#### *COSTA RICAN ELECTIONS*

The final returns in the recent Costa Rican Presidential election presented to Congress early in March disclosed that Ricardo Jiménez received 35,343 votes, Manuel Castro Quesada 22,029 and Carlos Maria Quesada 17,302. Since no candidate received a majority of the votes cast, a run-off election between the two candidates receiving the largest number of votes is necessary under Costa Rican law. However, Manuel Castro Quesada, on the day following the election, led a brief but sanguinary rebellion, which was terminated by a truce, under the terms of which Quesada agreed to leave the country. After the official canvass of the election Quesada presented to Congress his formal resignation as a Presidential candidate, but this was rejected on March 1 by a vote of 24 to 19 on the ground that the legislative body is without authority to intervene in elections. As a result, a situation unique in Costa Rican history developed. Supporters of Quesada insisted that they should be allowed to vote for a new candidate

in place of their original favorite, while followers of Jiménez contended that since their candidate received the most votes he should be considered elected, especially in view of the resignation of Quesada. On March 22 it was unofficially reported that the Costa Rican Congress in executive session had approved by a vote of 22 to 21 a resolution canceling the run-off election, which had been scheduled for April 3.

#### *NICARAGUA AND THE UNITED STATES*

The Bryan-Chamorro treaty of 1916, by which the United States acquired "in perpetuity" for \$3,000,000 "the exclusive proprietary rights necessary and convenient for the construction, operation and maintenance of an interoceanic canal" in Nicaragua, was heartily endorsed by President Moncada of Nicaragua on March 13. The President declared: "The Bryan-Chamorro treaty cannot be submitted to new discussions of constituents or national congresses, to arbitration in courts or by the League of Nations. It is obligatory for Nicaraguans and for the United States. \* \* \* The sovereignty of the United States exists, but is regulated by the great interests of humanity, commerce and navigation."

Any alteration of the Presidential and Congressional elections in Nicaragua, scheduled to be held this Fall under the supervision of the United States, to provide for the election of a Constituent Assembly to reform the Constitution, will result in American refusal to supervise the election. This decision was made known by the United States Department of State in a statement released in Washington on March 23.

#### *PANAMAN POLITICS.*

The Panaman Electoral Jury decided on March 8, that Harmodio Arias, candidate of the Doctrinal Liberal party, is eligible to election to the Presidency despite the fact that

he served as provisional president after the revolution of January, 1931. A few days later, following reports of the dissolution of the National Liberal party because of lack of campaign funds, Dr. Augusto Boyd, candidate of that party, withdrew from the race. At the same time the National Liberal party announced its support of Francisco Arias Paredes, candidate of the Liberal Reform party. This action, regarded as tantamount to a breach between the government, headed by President Ricardo J. Alfaro, and the Liberal Reform party, was formally denounced in a statement issued by President Alfaro and his Cabinet on March 18. The decision of the National Liberal party to support the candidacy of Arias Paredes left only two parties in the race and observers predict that the result will be a closer contest in the June elections.

#### CUBAN ECONOMIES

The present Cuban sugar crop was fixed at 2,700,000 tons in a Presidential decree signed on March 26. The decree followed recommendations made by the Cuban Sugar In-

stitute, the official body under which the Chadbourne plan for the reduction of sugar production operates in Cuba. Based on a crop of 2,700,000 tons, plus 567,000 tons carried over from last year's crop, the amount of exportation to the United States is calculated at 2,523,284 tons. Local consumption is estimated at 150,000 tons, leaving 593,716 tons for exportation to other countries.

Cuban coffee production this year was reported on March 5 to be sufficient to meet the needs of the island. As a result, and because of excessive tariff rates which protect domestic production, not a single pound of coffee was cleared through the Havana customs during February. By comparison, Cuba imported during 1929 a total of 17,346,967 pounds of coffee, valued at \$3,343,000. Importation of coffee in 1930 dropped to 5,000,000 pounds, when the duty on coffee was raised to \$32 per 100 kilos.

Designed as a stimulant to Cuban industries, a decree which raises the tariff on automobiles, trucks and lard, including importations from the United States, was signed by President Machado on March 17.

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## Renewed Unrest in South America

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By HENRY GRATTAN DOYLE

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THE events in South America during March offer an apparent paradox. In the light of the last three years of turmoil, the chronicle contains nothing novel, and yet the story is not commonplace; on the contrary, it is full of variety, interest and significance. Among its highlights are a serious financial crisis in Chile, resulting in the fall of the Cabinet and the imposition of martial law; a "naval revolt" in Ecuador; adjust-

ment, for the time being at least, of the political difficulties of the Vargas régime in Brazil; conviction of the would-be assassins of President Sánchez Cerro of Peru; a verdict of guilty against Hernando Siles, former President of Bolivia, passed by the Bolivian Senate, and announcement of Presidential elections in Paraguay. In short, it is the same old story of "unrest in South America," against the same background of rumored "Red"



activities, labor and tax strikes, and the seemingly hopeless struggle almost everywhere to balance budgets, support national currencies and meet foreign obligations. A note of encouragement is provided by the fact that revolutions have been neither frequent nor successful in 1932 as compared with 1930 and 1931, and that constitutionalism seems to have won some victories; unfortunately partisan politics still seems to be the main interest in some countries, in spite of the ever-darkening cloud of economic disaster that hovers over them, and the bitter opposition of affected groups to governmental efforts to obtain increased income through taxes.

### *THE CRISIS IN CHILE*

President Juan Esteban Montero of Chile on April 8 declared martial law for an indefinite period, following a run on the Central Bank of Chile which caused the fall of the Cabinet. As a precaution against outbreaks cavalry and mounted police patrolled the streets of Santiago, and troops were on guard at strategic points, but little disorder occurred. Martial law was proclaimed under an act passed by both houses of Congress, which thus demonstrated its support of the Montero Government and of constitutionalism.

The new Cabinet represents a coalition of the three parties that supported President Montero. The Ministers of Finance, Foreign Affairs, National Defense and Welfare, all of whom are Liberals, held the same posts in the previous government. Of the new Ministers, two are Radicals, two Conservatives and one Liberal. The new Cabinet began preparation of a program for devalorization of the peso and for dealing with other serious problems of national finance as well as with the threatening unemployment situation.

Explaining the proclamation of martial law the President said: "Many of those responsible for the unfavorable moral and economic situation of

Chile at the present time are now conspiring to overthrow the constitutional administration by means of false promises impossible to fulfill. Moved by the personal ambitions and decidedly unpatriotic, they are disregarding the tragic ruin which would follow in the wake of achieving their desire to cause the downfall of the government. I did not desire to be President and did my utmost not to accept the office, but since the republic faces serious danger I will energetically and unwaveringly use the powers granted me by the Constitution to maintain order. I place trust in the loyalty and honor of the military forces and have faith in the force of public opinion. I call upon all Chileans to support me in defense of liberty, justice and order."

The newspapers generally support the President, insisting on the maintenance of public order and denouncing those who sought to capitalize Chile's troubles for partisan purposes. The President holds a strong position because he did not seek the office, but was drafted by almost unanimous demand of the opponents of the fallen Ibáñez dictatorship, because of his demonstrated capacity and integrity and his lack of previous political activity.

The President's reduction of the Presidential budget by 50 per cent and his virtual abandonment of the Summer palace at Viña del Mar because of the cost of maintenance, have been well received as an indication of his sincerity in urging retrenchment.

The run on the bank was precipitated in part by discussion in Congress of a bill which would take Chile off the gold standard. Chile, following the example of certain other South American countries, has been unsuccessfully attempting by strict control of foreign exchange transactions to maintain the peso at the official rate of about 8 to the dollar. The proposal to let the peso seek its level put a premium on coin currency, and at

the same time sent commodity prices soaring; sugar, for instance, increased almost 100 per cent in price.

In an effort to reduce importations and thereby cut down drafts on foreign markets, the government issued a decree early in March "rationing" gasoline in Chile, and later in the month proposed a virtual government monopoly of the distribution and sale of petroleum. The two foreign companies which supply most of Chile's petroleum announced a price increase, as a result, they said, of their inability to purchase new supplies because of governmental restrictions on transferring money abroad. This action in turn led taxi drivers in Santiago to threaten a strike in protest against the proposed increase in price.

#### REVOLT IN ECUADOR

A revolt in Ecuador led by Commander Ildefonso Mendoza on April 7 led to the seizure of the fort at Punta Piedras, which commands the Guayas River between Guayaquil and the Gulf of Guayaquil, and of the gunboats Cotopaxi and Tarqui. The announced purpose of the revolt was to prevent the landing of General Leonidas Plaza Gutiérrez, twice President of Ecuador, who was returning on the Dutch steamer *Bodengraven* from an exile that began in 1925. Commander Mendoza's manifesto declared the revolution had been begun "in defense of the principles of liberty, which are threatened by the Conservative party." It was unsuccessful either in preventing the landing of General Plaza or in blockading the port of Guayaquil, though the rebels stopped a British tanker and delayed arrival of other vessels for a day or two. On April 9 the rebels were driven from the fort and sailed for Manabi. According to reports the commander's following had dwindled to a mere handful. The usual attribution of the revolt to Communist activities was not lacking. Ecuador has been a centre of such reports. On March 16 Communists were reported

to be planning a "jobless' parade" in Quito, the capital, and rumors of "Red" activities among Ecuadorean Indians have been circulated at intervals for more than a year. On March 15 a band of Indians attacked the town of Angamarca, Province of León.

Ecuador's financial difficulties were somewhat lessened by the granting on March 10 of a loan of 12,000,000 sucres—about \$2,400,000 at par—by the Central Bank. Discussion of the loan had been acrimonious, and at one time the government threatened to withdraw its funds from the bank. The money will be used for public works and for financing agriculture. On April 3, the Minister of Finance proposed a restricted moratorium on mortgage loan payments.

#### POLITICAL COMPROMISE IN BRAZIL

The struggle behind the scenes in Brazil between Provisional President Vargas, who has been in office since Nov. 3, 1930, and some of his former supporters from his own State of Rio Grande do Sul, over the question of an early return to constitutional forms, seems to be well on the way to adjustment as the result of a conference at Petropolis, a suburb of Rio de Janeiro, on March 22 between the President, the Minister of Justice and the Governor of the State of Rio Grande do Sul. The agreement was understood to include a pledge by the President to call general elections, probably next January. The Southern leaders were reported to have abandoned their demand for punishment of the soldiers who wrecked the offices of *Diario Caroca* in February. It was also reported that Governor Floras da Cunha would be named Minister of Justice to fill the vacancy created when Mauricio Cardoso, one of the Southern leaders, resigned in protest against the President's delay of nearly eighteen months in calling elections.

The President has found himself in an anomalous position since he was



raised to power by a revolt originating in the State of Rio Grande do Sul and has been relying mainly on military support to maintain his *de facto* government but is faced with demands for a return to constitutionalism by a number of the leaders of the movement which placed him in office. The President has favored a return to constitutionalism, but only by proceeding slowly enough to allow a complete re-drafting of the Brazilian Constitution.

Destruction of part of the immense stocks of coffee brought together under the ill-fated coffee valorization scheme is proceeding at the rate of 20,000 sacks a day. Ultimately 12,000,000 sacks will have been burned.

#### PERUVIAN POLITICAL UNCERTAINTY

José Arnaldo Melgar Márquez, the would-be assassin of President Sánchez Cerro of Peru, was tried on March 14. The next day he and Juan Seoane, an alleged accomplice, were sentenced to death, while Reinaldo Bolaños Díaz was sentenced to twenty years' hard labor. Manuel Seoane, chief lieutenant of Raúl Haya de la Torre, leader of the Apristas, from Bogotá, Colombia, whither he had been deported with about a score of leaders of the Apra, sent a message to Lima on March 16, offering to die in place of his brother. In the meantime the executions were delayed, pending confirmation of the sentences by Congress. On March 19 Congress passed a law authorizing the President to commute the sentences to penal servitude, and on the same day the President signed the act.

In the meantime opponents of the government continue to be deported. Six officers and three civilians were deported on April 8 to Ecuador, and it was reported that agitators were being exiled to the Madre de Dios region, an unsettled tropical jungle on the other side of the Andes. Deportation of Apra leaders, according

to a statement issued by them in Colombia, was the result of the government's fear of the growing strength of the youth and reform movement. On the other hand the government accused the Apra party of being in contact with Moscow. Pompeyo Herrera Mejía, who was arrested on March 18 on charges of communistic activities among school teachers and laborers, was described as a delegate from Moscow to Peru.

Peru still continues the practice of renewing the provisional budget from month to month; no budget for the present year has been adopted. Proposals to nationalize the petroleum industry and to establish government control over other mineral exports, especially copper, have been presented. Profits from the petroleum monopoly would be used under another proposal to amortize a proposed bond issue for the building of 4,000 new public schools.

#### BOLIVIAN AFFAIRS

On March 16 Hernando Siles, former President of Bolivia, was found guilty by the Senate, after three months of investigation, of illegally deporting Congressmen and of misusing public funds. The other nine charges against him were dismissed. Three former members of his Cabinet were found guilty of the same offenses. The former President is reported to be living in Valparaíso, Chile.

Early in March the Bolivian Cabinet resigned after a dispute with the Central Bank over proposals for inflation. A new Cabinet which took office on March 10 included as Minister of Finance a former director of the Central Bank. Stabilization of the bolíviano at 4.12 to the dollar has been determined upon, according to reports, and control of foreign exchange through restrictions on imports is contemplated. A national tin monopoly also has been proposed.

# De Valera's Anti-English Policy

By J. BARTLET BREBNER

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AFTER ten years of lack of responsibility as leader of the Opposition in the Irish Free State, Eamon de Valera has found one month as President of the Executive Council a difficult and sobering experience. He attained power by a narrow electoral majority in return for a great many promises, chief of which were abolition of the oath of "faithfulness" to King George V (not to the British Government), retention of the land-purchase annuities hitherto paid to British bondholders and immediate suspension of the severe public safety act passed by the Cosgrave Government on Oct. 16, 1931 (which he effected on March 18). He honestly believed that his mandate entitled him to denounce the oath ("purely a domestic question") and the annuity agreements with Great Britain. Because he had at least more support from the extremist republican elements than ex-President Cosgrave, he felt that abolition of the oath was the only way of ending dissensions that threatened to bring on civil war.

The treaty of Dec. 6, 1921, which contains the oath, and the annuities agreement are acts of both the British and the Irish Free State Governments and therefore subjects for negotiation. In her pride of nationhood the Irish Free State had registered the treaty at Geneva and signed the optional clause of the Geneva agreement for the arbitration of international disputes by The Hague Tribunal. Furthermore, the treaty provides that "the position of the Irish Free State in relation to the Imperial Parliament and Government and otherwise shall be that of the Dominion of Canada, and the law, practice and constitu-

tional usage governing the relationship of the Crown or the representative of the Crown and of the Imperial Parliament to the Dominion of Canada shall govern their relationship to the Irish Free State." The oath is always taken in Canada. Moreover, at the Imperial Conference of 1930 the Irish Free State agreed in principle to the submission of intra-dominion disputes to a specially created judicial and arbitral tribunal. The matter of the annuities, which since the national debt agreements of 1921, 1923 and 1926 falls in the category of private debts, was subordinated to the question of settling the oath.

President de Valera had hardly announced his policies before he was in trouble. The Irish Executive Council, unable to support his original statement, held long debates from March 23 to April 5 in an effort to find less uncompromising terms for embodiment in a note to the British Government. The whole situation was a mixture of the real and the unreal, the naïve and the shrewd. De Valera's own sincere aspirations for an independent and united republican Ireland in friendly relation with Great Britain have been developed in the course of five years' criticism of the British Government and ten years' criticism of the Irish Government. These might be called his basic, long-run policies. Now he probably realizes that they can be attained only by gradual changes within the Free State, by slow negotiation with Great Britain and by such imperial bargaining as is likely at Ottawa in July. But because he has led the Opposition he must answer the demands of the impatient extremists.



Over against these aspirations is the dominant fact that at present the Irish Free State simply cannot step out of Britain's economic orbit without far-reaching disaster. A protectionist United Kingdom could do considerable damage. Over 90 per cent of the external trade of the Free State is with Great Britain and Northern Ireland. A ruthless Britain could expel the 300,000 Irishmen who are estimated to be in receipt of British unemployment relief, not to speak of others who could be dealt with as "undesirable aliens." Australia, on April 4, called attention to the possibly anomalous position of her Irish immigrants. That Ireland cannot afford to be excluded from possible imperial preferential arrangement at Ottawa in July has been made clear by de Valera's acceptance, on March 31, of the Canadian Prime Minister's invitation to that meeting.

In the Free State itself de Valera's parliamentary position is weak. The Senate majority is pro-Cosgrave and, unless a new general election is held, it can hold up the President's proposals for eighteen months. Even in the Dail de Valera has a majority only as long as seven Labor members support him. One of them was elected Deputy Speaker, but de Valera yielded Labor no representation in his Cabinet. By adjourning the Dail from March 15 to April 20 almost without allowing it any action he escaped having to risk his policies as to the oath and to annuities, but Labor had had time to insist that the oath must wait until unemployment, housing and general social and economic reforms were undertaken. The budget deficit on March 31 was £639,000 and the new budget had to be ready for the session in late April.

The Irish Republican Army and other domestic republican organizations used the commemoration of Easter, 1916, for demonstrations. Dublin was plastered with rousing posters. The Indian Nationalists and British and New South Wales Labor

extremists urged de Valera on. Mr. Thomas, in alarmist fashion, and Mr. Chamberlain, in more measured tones, described the concern of the British Government over the abrogation of an integral part of the treaty of 1921. On April 2 New Zealand (through London) and on April 4 Australia (directly to Dublin) formally expressed regret should the Irish Free State take steps likely to alter its association with them in the British Commonwealth of Nations. The Canadian Government, on March 30, issued a White Paper which rehearsed the legal and constitutional position of the Irish Free State. Great Britain had obviously been conferring with her constitutional equals over the action of one member of the Commonwealth.

Although Great Britain has an excellent legal case in regard to both the oath and the annuities, no one expects her to exercise military or economic weapons to force an Irish Government to go against the clearly expressed opinion of the Irish people.

#### THE BRITISH DILEMMA

During March the pound sterling ranged from \$3.60 to \$3.83. On three separate occasions it made rapid surges upward which were succeeded by slower declines, and on April 5 it stood at \$3.77¼. These wide fluctuations were embarrassing not only to the believers in a "managed" currency but to the government and to industry. The rapid rise in the first week of March involved cancellation of some of the encouraging foreign orders placed at the British Industries Fair, and altogether movements of from 5 to 10 cents in a day made for great uncertainty. The Bank of England and the Treasury could undoubtedly "manage" the currency, but only within wide limits, and once more attention was focused on the basic British dilemma between favoring trade and favoring finance—that is, between keeping the pound down and encouraging its rise.

A low level of sterling was gen-

erally believed to be good for export trade by encouraging foreign buyers when commodity prices, notably for raw materials, were still falling. British industry, therefore, backed by the Conservative Parliamentary majority, inclined toward prompt stabilization of the pound somewhat below its present level, suggestions ranging from \$3.40 to \$3.63. Stability seemed essential for cost-accounting and trading calculations. This would involve acquiring a substantial gold reserve, but mere stabilization at, say, \$3.50 would convert the Bank of England's reserve of £121,000,000 at the old parity to about £170,000,000 at the new. The really important problem involved was naturally that of the level. If it were too high in terms of the total operating economy, London could be easily raided for gold by foreign countries; if it were too low, gold would pile up and trade would languish as prices rose.

The international bankers, of whom Sir Montagu Norman, Governor of the Bank of England and described as "the high priest of the golden calf" by Mr. Lloyd George, is the best-known leader, believed that British prosperity depended upon international financial operations, overseas investments and foreign services, such as insurance and the carrying trade. Since the war these so-called "invisible" items have helped to make the British balance of payments favorable, while the balance of trade was adverse. The international bankers favored the slow upward revaluation of the pound which would necessarily accompany any progressive improvement of the total British economy. The higher the pound rose toward \$4.86, the larger would become the capital values of, and the interest payments on, British overseas services.

The immediate practical problem, however, has been to keep the pound from becoming the plaything of the international currency speculators. Neville Chamberlain, Chancellor of the Exchequer, explaining the govern-

ment's attitude on March 11, said: "The government does not desire to see the pound forced up to a rate injurious to industry. \* \* \* Sooner or later we should have to link our currency to a metallic basis. \* \* \* I do not want to be dogmatic over what the basis should be and whether we should stick to gold or mix it with something that will help us out, but I do not see any better basis than gold, which in the past served us well." The reduction of the Bank rate on March 10 from 5 to 4 per cent and on March 17 to 3½ per cent was calculated to discourage the flow of foreign short-term money sent to London to profit by high interest rates and rising sterling. In addition, the rapid repayment of foreign obligations and the actual movements of the pound were generally attributed to sales of sterling by the Bank and the treasury whenever the pound began to rise. The last \$50,000,000 of the New York credits of August were repaid on March 29 and April 5. On April 1 the Bank was reported to have stopped trying to control sterling.

The continued buoyancy of the pound was attributable to the triumphant assertion of solvency which began in February and continued in March. All the borrowings of last August were paid off, except about \$35,000,000 in the hands of private French investors, and on March 31 Neville Chamberlain was able to announce that the government had ended the fiscal year 1931-32 with a surplus of £364,000, in spite of the fact that £30,500,000 had been paid to sinking fund and that the unemployment and road funds were being carried out of revenue instead of by borrowing. Expenditure had been £12,600,000 less and the revenue £13,700,000 less than was anticipated last September. The low Bank rate encouraged talk of converting the £2,000,000,000 of war loans. Three-quarters instead of one-half of the income tax had been credited to the past fiscal year, but all 1932-33 estimates had been cut. The



tariff was expected to yield £150,000,000. While the Chancellor of the Exchequer planned to present a balanced budget for the new year, he offered no hope of reduced taxation.

It was difficult to determine whether the tariff was likely to diminish the adverse balance of trade. Imports of manufactured goods, which amounted to £27,000,000 in October and £28,000,000 in November, responded to the abnormal imports act by falling to £18,000,000 in December and £13,000,000 in January. In February the forestalling of the general tariff of March 1 raised the total again to £20,000,000. The depreciated pound had not succeeded in stopping the decline of exports during February, for they were £2,000,000 less than in 1931, but the rate of decline for British exports was lower than that for the rest of the world.

Industry made no spectacular advances, but the success of both branches of the British Industries Fair was encouraging, and the continuous and heavy oversubscription of investment offerings in London, although largely confined to "gilt-edge" issues, indicated that productive domestic enterprises need not lack funds. The coal industry was troubled by new German import quotas which more than halved the British export and which Mr. Runciman described as "clearly discriminatory" in terms of the treaty of 1924, but the terrible condition of the German coal industry went far to neutralize the formal protest.

The British unemployment figure of 2,701,173 for Feb. 22 represented a decline of 27,000 since Jan. 25. Actually there were 38,000 more workers in employment than in January and 77,000 more than in February, 1931, so that the natural increase of working population was being met. About 11 per cent of the unemployed, although registered, were not in receipt of insurance. Vital statistics showed that the United Kingdom was rapidly approaching a stationary pop-

ulation, but it was surprising that in 1931 immigrants exceeded emigrants by over 22,000. On April 4 it was announced that the unemployed numbered 2,567,332 as of March 21. This showed a spectacular drop of 133,841 during the preceding month. When new entrants into employment were added the total addition to the employed population was about 146,000. Almost all the principal industries reflected the improvement.

Unquestionably there was much deep poverty and distress, and the lowered insurance rates and more rigid operation of the social services made for discontent, but the Ministry of Labor cost-of-living index fell during February and on March 1 was 146, as compared to 150 in 1931. This continued fall in prices, which was reflected up to April 5 in the other domestic and world indices, showed that the underlying factors of the depression had not ceased to operate, but it gave the poor greater purchasing power than was at all hoped for when the pound went off gold.

In preparation for the Ottawa conference a special committee of the Cabinet began gathering statistics of products, markets, comparative prices, tariffs and the competitive trade positions. In spite of Mr. Baldwin's remark on March 17 that reports of Cabinet friction over the choice of the British delegation were "fiction," an effort had undoubtedly been made to exclude or partially eclipse the outspoken J. H. Thomas, Secretary for the Dominions. He had called the bluff of R. B. Bennett, the Canadian Prime Minister, at the abortive conference of 1930, and his alarmist manner in handling the recent Irish proposals alienated the Conservatives. In addition, the Empire Trade Crusaders held Mr. Baldwin's 1930 record against him. On March 17, however, Mr. MacDonald announced that the delegation would be composed of Mr. Thomas, Sir Philip Cunliffe-Lister, Secretary for the Colonies, Mr. Runciman, president of the Board of Trade, and, if

possible, Mr. Baldwin, Mr. Chamberlain, Lord Hailsham and a representative of the Department of Agriculture.

In the one by-election of the month Tom Johnston (Labor) failed to regain the seat he lost in September, but while his vote was reduced by 3,000, his Conservative opponent lost 12,000.

### THE INDIAN SITUATION

While provincial deficits deepened and customs duties fell off in face of depression and boycott, the Indian Government remained firm in its repressive policy during March. The election of Mme. Sarojini Naidu as acting president of the All-India Congress and her subsequent conversations with the Viceroy and the Pandit Malaviya raised some hopes of a truce, but these faded at the end of March. The Consultative Committee was making very slow progress. Before the month was over not only had the National Congress reasserted its boycott of the Round Table Conference and its refusal to accept a settlement dictated from London, but the All-India Moslem Conference at Lahore had surprisingly taken similar action. That did not mean that Moslems and Hindus had united, but very definitely the reverse, as continuance of the communal troubles indicated. The Moslems repudiated British efforts because they knew that the British settlement would not contain their full demands. Since the London meeting these demands have grown to such an extent that if Britain granted them she would in effect be starting a civil war between Hindus and Moslems.

March also saw the possibility of the Princes' seceding from the federal proposals. This would have shattered the whole scheme, but anxiety was allayed on March 25, when the Princes' constitutional committee unanimously recommended entry, though the resolution was slightly

amended when the Chamber of Princes discussed it. On April 1 the Nawab of Bhopal proposed, and his rival the Maharajah of Patiala seconded, the reaffirmation of their decision to enter an Indian federation on conditions (to be included in the Constitution) of retaining internal sovereignty and having their full treaty rights of relation with the Crown guaranteed.

The annual Spring trouble on the North West Frontier broke out early in March and continued through the month.

### SOUTH AFRICAN CURRENCY ISSUE

The Union of South Africa has continued to be torn by differences over the retention of the gold standard. The problem is by no means purely economic, for it has nationalist and imperial complications. If South Africa stays on gold it will be more difficult for the advocates of an empire currency to proceed with their plans at Ottawa. The present anti-dumping duties in South Africa against Great Britain and other countries which are off the gold standard make arrangements for imperial preferences very difficult to effect. The new trade treaties with Germany and Japan are other obstacles to imperial economic cooperation.

The new currency bill, introduced into the Legislature on March 22, provided for units called rands, florins and cents. The rand is approximately equivalent to \$3.90 and contains 10 florins of 100 cents each. The basis is gold, but efforts to set a value on the British pound in terms of South African currency were to be postponed until after Ottawa. The South African party continued its vigorous opposition to the Nationalists and Labor and refused to serve on the select committee which is investigating the gold standard.

An additional difficulty arose on March 18 when the Provincial Council of the Orange Free State adopted a



resolution declaring that it was impossible to balance its budget by the new taxation and economies required by the Union Minister of Finance and asking that the Union Government take it over. The immediate deficit is about £800,000. This raised the whole recurrent question of whether the provinces in the Union should be abolished. The Union Government would find it awkward to do so at present, but neither could the South African party in Opposition make it an issue because they needed the support in Natal, which they would lose if they did so.

#### CANADA MARKS TIME

That there has been no great change in the course of events in Canada was revealed by the emptiness of the legislative session. The only cause for sharp differences of opinion was Mr. Bennett's desire to have his "emergency power" to legislate by Order-in-Council when Parliament is not sitting extended beyond May 1. While Parliament found little to do, the public engaged in widespread discussion of economic problems.

The Canadian dollar halted in its rise at 90 cents (U. S. A.) and fluctuated very slightly toward 91 cents. It stood at 90.25 cents on April 5. The city of Toronto raised about \$5,000,000 in Canada at 5.70 per cent. The direction of international trade continued to mark a turning away from the United States and toward Great Britain. For the crop season (Aug. 1 to Feb. 29) wheat and flour exports declined in volume as compared with 1931, but exports of barley, rye, and oats more than quadrupled.

The negotiations between Ottawa and Washington for a treaty to cover the construction and operation of the St. Lawrence Waterway were re-

ported to be nearing the drafting stage. Special interests and local opinion in various parts of both countries had to be consulted, but it was hoped to present the treaty to Parliament and Congress before the close of their present sessions.

#### AUSTRALIAN FINANCE

The financial agreement enforcement bill, by which the Australian Federal Government will during two years accept responsibility for defaults on State debts and reimburse itself by seizing their revenues, passed the House of Representatives and received Senate assent on March 11. On March 16 both houses passed resolutions to attach certain specified revenues of New South Wales amounting to the £924,000 in which it is in default. New South Wales opposed the act and withdrew over £1,000,000 from the banks to prevent its seizure. The Tasmanian Assembly also objected to the act as involving a violation of the federal principle.

The federal finances were still in a serious condition. The deficit for the eight months up to Feb. 29 was £3,560,000. The recent very high tariffs have decreased revenue in some cases and the government has lowered the duties on tobacco and cotton and abolished some of the flat prohibitions of imports. Following the sending of £5,000,000 in gold to London last June the gold reserve has fallen to £10,000,000. The problem now is whether it would be wise to ship that gold to take advantage of high gold prices in sterling and use the proceeds for a revolving fund of short-term credits. Mr. Scullin made this proposal, but the government rejected it. Stanley Bruce as Minister in London will have these awkward financial matters to handle, not least of which is the November maturity of a £13,000,000 loan.

# Newfoundland in Distress

By WILLIAM MACDONALD

ON April 5, at St. John's, the capital of Newfoundland, a crowd of some 10,000 men and women of all classes, who had assembled outside the Parliament building to present grievances, were roused to mob passion by delay and police clubbing. Surrounding the building, they broke down the doors, made a wreck of furnishings and windows, looted official files and threw documents into the street, and were with difficulty persuaded by three clergymen to allow Sir Richard Squires, the Prime Minister, who with his police guards had been held in the building for several hours, to make his escape after assaulting him and threatening to throw him into the icy waters of the harbor.

This was the second time this year that the Prime Minister of Newfoundland has had to face an angry populace. On Feb. 11 a crowd of 900 unemployed, angered by a reduction of the monthly food ration, smashed its way into the council chamber where the Executive Council was meeting, "overturned tables, ripped out telephones, hurled inkwells, and broke a picture over Sir Richard's head," and even, according to one report, knocked him down. Only on a promise that the food ration should be increased did the mob retire. Now, after a second and still more serious outbreak, the Squires government awaits an investigation of the disturbances by a royal commission, while an organization of World War veterans is keeping the peace.

When Lord Salisbury described Newfoundland as having been throughout its history "the sport of historic misfortunes" he summarized aptly a situation more checkered than

any other overseas possession of Great Britain has ever known. Discovered by John Cabot in 1497, the island was until about 1610 merely a haven for the English, French and Portuguese fishermen who flocked to the Grand Banks to exploit the cod fisheries, and then until 1714 it was the scene of a struggle between a handful of permanent settlers and the "Fishing Admirals." The latter, representing the exploiting merchants and ship-owners of the West of England, did their best, by robbery and oppression, to drive out the settlers. A change for the better came in 1713, when the Treaty of Utrecht confirmed the British claim to the island, but a long controversy with France over fishing rights, settled only in 1904, kept the country in turmoil. Civil government came slowly. A supreme court, set up in 1792, did not obtain full jurisdiction until 1826; land grants and the building of houses required the Governor's permission until 1813; representative government was granted only in 1832, and responsible government not until 1854.

Political buffeting retarded economic development, and to this day Britain's oldest colony is also one of the most primitive. Newfoundland has an area of 42,734 square miles, but its jagged coast, deeply indented by eight great bays, has a total length of about 6,000 miles. Until 1923 communication by land and sea was mainly in the hands of the Reid Newfoundland Company, a monopoly which built and operated some 900 miles of railway and maintained a coastwise steamship service. In Winter, when the coast was blocked with ice, the



steamers did not run, thereby isolating many regions. The branch railway lines ran for the most part two or three times weekly when they ran at all, and the main line from Port-aux-Basques to St. John's, a narrow-gauge line of 546 miles, aptly described as a "seafaring railroad," was a terror to travelers and the butt of perennial jokes.

Except for the great iron mines at Bell Island, among the largest in the world, and a pulp and paper establishment at Grand Falls which supplied the Northcliffe papers in England, there were no important industrial enterprises in Newfoundland until after the World War, and there are only three others now. Most of the people lived, as they still live, by fishing and sealing—industries mainly carried on under a system in which a few merchants and ship-owners, principally at St. John's, own the vessels, outfit them for the season's work and divide among the men such profits as remain after the owners and outfitters have taken their share. The result is to keep a large number of the fishermen dependent for advances of food, clothing and supplies upon what is the social oligarchy of the island. In good years there may be a small surplus for the men, but by and large over half the population exists on the verge of starvation, with a diet which includes little more than a scanty provision of fish, bread and tea.

Far the larger part of the island presents an appearance of bleakness and desolation. Except for the three or four industrial communities outside St. John's there is hardly any population away from the coast, roads are few or non-existent, and Winter communication depends upon snowshoes and dog-sleds. Nowhere in North America, with the exception of some coal mining regions, are such poverty-stricken villages to be found as those which dot the Newfoundland coast; nowhere are doctors so remote or schools so poor. St. John's, the capital, a straggling, unkempt city of upward

of 41,000, is the only large centre; the other coast towns are "outports," and for the rest there are only small villages, forests or barren wastes.

To this bleak and undeveloped island, with an estimated population of 264,089 in 1928 and almost no middle class, Sir Richard Squires undertook to apply a process of forced and artificial stimulation. The properties of the Reid Newfoundland Company, after years of controversy, were taken over by the government and the railway rebuilt and modernized, at a cost, between 1920 and 1923, including a new dry dock at St. John's, of \$15,468,187. The interest of English capital and the British Government was sought and a large paper mill was built at Corner Brook, on the Humber, in the southwestern part of the island. When more than \$51,000,000 had been sunk in the enterprise the company ceased operating, bond interest could not be paid, and the Newfoundland Government was invited to meet the interest on some \$10,000,000. The acquisition of the property by the International Power and Paper Company of Newfoundland involved charges of financial and political irregularities, but Sir Richard Squires was out of office before the controversy was settled. Another great scheme was the development of hydroelectric power, from which about a hundred towns or settlements have benefited; still another was an elaborate program of road building.

Newfoundland has important natural resources in minerals and timber, and industrialization and general modernization were tasks quite too long delayed. The cost, however, has been staggering. The gross debt on June 30, 1930, was \$89,538,773 and the net debt \$85,849,668. A \$5,000,000 bond issue was floated in London in 1930, more than half of the proceeds being used to retire a maturing loan. In August, 1931, an old proposal to sell Labrador to Canada was revived, with \$110,000,000 as the suggested figure, but it was later denied that a sale was contem-

plated. In December, with the treasury apparently going on the rocks, Sir Percy Thompson, Deputy Chairman of Inland Revenue in Great Britain, together with an expert from the British Treasury, took charge of Newfoundland's finances and undertook, with political control eliminated, to check extravagance and keep outgo within income. On Dec. 14 another offer to sell Labrador, this time for \$100,000,000, was announced. Finally, on Dec. 30, with a rumor in circulation that the January interest payments would be defaulted, four Canadian banks agreed to lend \$2,200,000 for six months on terms which gave virtual control of the country's revenue.

In the face of a mounting volume of debt, the government has continued to depend for its revenue mainly upon customs duties. Of an estimated revenue for 1930-31 of \$11,380,500, customs duties accounted for \$8,850,000. The fall of commodity prices and the general slackening of trade during the past two years have, of course, seriously affected imports. For each of the financial years from 1925-26 to 1928-29 the budget showed a deficit, and the estimated surplus for 1930-31 amounted to only \$15,360.

Sir Richard Squires has been twice Prime Minister, the first time from 1919 to 1923 as head of a Liberal Reform government representing a combination of Liberals and the Fisherman's Protective Union, an independent political organization formed to secure better treatment for the distressed fishermen. It was under this government that the railway system was taken over and the Humber industry established. He was again returned to office in 1923, but party dissension and scandals swept over the government, and Sir Richard retired in 1924 under charges affecting the

conduct of the Ministry of Agriculture, and for the next four years was in private life. In the general election of October, 1928, the government of F. C. Allerdice was defeated, and Sir Richard returned to power with twenty-eight out of forty seats in the Assembly.

The financial troubles of the last Fall and Winter have already been described. In February the break-up of the Cabinet began. Peter J. Cashin, the Minister of Finance and Customs, resigned, and two days later, and again on Feb. 16, read in the Assembly charges accusing Sir Richard Squires of falsifying the minutes of the Council and manipulating public funds, and arraigning two members of the Cabinet, for financial irregularities. The investigation demanded by the Opposition was side-tracked by referring some of the charges to Governor Middleton. Sir Richard took over the portfolio which Mr. Cashin had relinquished, but his budget, although formally balanced under the supervision of Sir Percy Thompson, aroused wide dissatisfaction because of new duties on food and fishermen's supplies, and there were further resignations. The outbreak on April 5 followed upon a series of public meetings at which the charges of financial misconduct were aired and an investigation demanded.

Newfoundland's immediate financial outlook is not hopeful. The disruption of world trade has depressed the fishing industry, and unemployment relief constitutes a heavy burden on the treasury. Even if a royal commission is able to point a way out of the economic difficulties, there still remains a long record of government scandals and partisan bickerings which only a new political spirit can terminate.



# France Opens Election Campaign

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By OTHON G. GUERLAC

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WITH the adjournment of the French Parliament on April 1, after voting the annual budget, political activity shifted to the general elections which are set for May 1 and 8. Even during March attendance at the sittings of the Chamber of Deputies was often reduced by the absence of members who had returned to their constituencies to begin the campaign. The elections will be conducted according to the old system of *scrutin d'arrondissement*, in which the *arrondissements*, or local districts, are electoral units. Instead of there being, as formerly, two weeks between the two ballotings, the elections will be held on two consecutive Sundays.

The ambitious scheme of reform sponsored by Deputy Georges Mandel which included not merely the abolition of the second ballot but votes for women and compulsory voting, was finally abandoned by the Chamber after causing no end of turmoil there and considerable friction with the Senate, which rejected the proposal with scorn and practical unanimity. In vain did M. Mandel, in a stormy night session on March 17, urge the Chamber not to yield to the Senate on a question which concerns the rights of universal suffrage. Apparently the Deputies thought it inadvisable, at such a late hour, to disrupt the whole electoral procedure; they therefore reversed their decision of Feb. 11 by adopting the bill as returned from the Senate and maintaining the status quo. The government, faithful to its promise and having learned its lesson from M. Laval's experience, remained strictly neutral. The final vote was 152 to 111, with a

large number of Deputies not voting.

So the general election will take place with the usual free-for-all competition, characteristic of the French system under which any man can run for office simply by notifying the Prefect of the Department of his intention. Except among the Socialists and the Radical-Socialists the French lack of political organization and party machinery is never more striking than in these elections, where it seems as though individuals, not parties, were fighting against each other. That is why many believe that voting by departments, known as *scrutin de liste*, coupled with proportional representation, is more likely to express something besides the personal vagaries of the voters. Both systems have been tried at different times, and proportional representation was retained as late as 1924. But as the results never seemed to satisfy the party in power, the nation in 1928 returned to the system which Briand described in a famous phrase as that of "the stagnant marshes," because in the small electoral districts which are not touched by the great currents of public opinion petty interests and local rivalries are apt to determine the outcome of an election. There the candidates run their own campaigns, pay for their multi-colored posters, launch sometimes their own ephemeral papers, travel from village to village partaking of innumerable beverages, engaging in heated controversies with their opponents and attempting to prove to the voters that they are best fitted to serve the interests of the district.

Too often the choice of the voters

seems to reflect their interest in a man from whom they expect favors and services rather than their viewpoint on a set of principles. Thus the French Chamber, with its innumerable groups and variegated political formations, rarely offers a clear-cut picture of well-defined and well-balanced parties. Even if the Chamber that has just ended its term seemed to be consistently favorable to a conservative policy, this was only because circumstances made a concentration of otherwise heterogeneous groups expedient and profitable.

Whether the next Chamber will be of the same complexion can only be surmised. Several signs point to gains by the Left opposition—the Radical-Socialist and Socialist parties. In the first place, the present economic situation is favorable to those parties which are not responsible for recent parliamentary policies. Moreover, recent municipal elections and bye-elections have indicated a trend to the Left. In fact, M. Daladier, the former leader of the Radical-Socialists, believes that if the trend of the last municipal elections should continue the Radical-Socialists would have 190 Deputies in the Chamber instead of their present 107. But with an electorate body as unstable as the French, prophecy is dangerous.

Undoubtedly there is a great lack of team-work and discipline in the French political campaigns and too often "free shooters" fight by the side of the regular army, but most of the major parties have their plan of battle and the leaders set the objectives for their troops. Already M. Caillaux, speaking at Agen on March 20, and M. Herriot in his numerous addresses, articles and interviews have presented the views of the Radical-Socialists. The Republican Democratic Alliance, which represents the nucleus of the present parliamentary majority, and M. Tardieu himself have sounded the keynote of the governmental policies.

What are the issues in the cam-

paign? The opposition accuses the government of responsibility for the present financial situation with the virtual deficit of the budget and the empty treasury; it attacks the enormous sums spent to rescue certain big banks, various private enterprises and the bankrupt nations of Southeastern Europe. While the Socialists stress what they consider inflated appropriations for the army, the Radical-Socialists feel that the effort for the reduction of armaments has not been sufficient and that the policy of European reconciliation sponsored by Briand has received only the half-hearted support of the conservatives. Their main grievance, however, is the composition of the Tardieu and Laval majority, especially the fact that its mainstay is the Right, whose political philosophy on internal and external matters is anathema to many orthodox republicans. In regard to religious policy, social legislation, the need for popular secondary education—which is still a privilege of the well-to-do middle class—and the support to be given to the League of Nations, the Right and the Left have, if not always divergent policies, at least different conceptions and preferences.

Support for these political loyalties naturally differs. M. Caillaux stated in his Agen speech that the Left has the largest number of voters but that the Right is favored by the nation's economic and financial interests. The first part of this assertion may or may not be always correct; the second, however, seems to be in accordance with the facts.

The government's case was ably presented by M. Tardieu at a gathering of 2,000 people in Paris. He defended the record of the parliamentary majority and its leaders. Financial stability, the measures adopted for the prevention and relief of unemployment, for agriculture and industry, and for social insurance were all discussed in the Premier's customary,



clear, incisive manner. He seemed anxious to show that not merely had he continued the policy of Poincaré, under whose banner the present Chamber majority was elected, but that he had not swerved from the foreign policy of Briand, which was described as one of firmness and conciliation, equally remote from "negative nationalism" and "rash internationalism." Tardieu again maintained that his Geneva plan for disarmament was the only guarantee of peace, since where there is no undertaking between the nations for mutual assistance, there must be liberty of national armed forces. But with pledges for mutual assistance against aggression, reduction of armed forces could be safely permitted.

In the last part of his address M. Tardieu tendered the olive branch to the Radical-Socialists, who split away from the Republican majority after the Angers convention of 1928, and urged them to dissociate themselves from the Socialists and return to the parties of the Centre with which they are really more in sympathy. And there is little doubt that on many points M. Herriot or M. Chaumets could more easily agree with Tardieu than with M. Blum, the Socialist leader. They have done so in the past; the question, however, is whether they would be willing to do so again.

During the two months of his Ministry, M. Tardieu has run true to form, impressing on his majority his dynamic personality and holding it together by his energy and driving power. The address that he delivered at the national funeral of Briand on March 12 showed his ability to rise above his own views or passions to render justice to a policy which he had often bitterly attacked.

With the help of P. E. Flandin, Minister of Finance, and also the cooperation of the Radical-Socialists who abandoned all attempts at obstruction, the budget was voted in a month

and a half. In the final all-night session the Premier three times asked for a vote of confidence; in each instance he won by a majority of about fifty. Finally, after the Senate and the Chamber had composed their differences, the budget was passed with a "paper surplus" of 3,831,000 francs—\$153,940 at the present exchange rate. Vincent Auriol, the Socialist financial expert, claimed, however, that this "surplus" represented really a virtual deficit of 6,000,000,000 francs, while Senator Gardey in his report estimated it at 4,000,000,000 francs.

#### *FRENCH ECONOMIC SITUATION*

The downward trend in State revenues and in the balance of trade is still the outstanding feature of the economic situation. The receipts for the eleven completed months of the fiscal year showed a decrease of \$90,680,000 compared with 1931 and of \$31,600,000 compared with the estimates. The direct taxes decreased \$41,280,000, indirect taxes \$44,840,000 and national property \$560,000. On the other hand, the statement for February shows an adverse balance of \$25,240,000 compared with \$13,360,000 in January. For the first two months of 1932 imports decreased much faster than exports, the decline from the totals for the same period in 1931 being \$124,800,000 for imports and \$70,120,000 for exports.

Railroad receipts as reported for the seventh week of 1932 showed a similar trend—a decrease of \$2,120,000 from the figures for the same week in 1931. Because of the burden of taxes, the theatres of Paris recently threatened to close if reductions were not made; as a result the government asked Parliament to reduce the theatre tax from 5 to 2½ per cent and the theatre "strike" was called off. The only bright spot seemed to be in the unemployment figures, since for the week ending March 26 there was for the first time this year a decline—from 305,496 for the previ-

ous week to a total of 303,218. As these figures include only those who have registered for governmental benefits, the real number of people out of work is probably four times as great.

The French method of counteracting the adverse trade balance by means of quota control of imports, limiting the quantity of goods that can be introduced into France, has already hit some forty American commodities. It has created a serious situation for American business. The American Chamber of Commerce in Paris after many unsuccessful protests to the Minister of Commerce appealed to President Hoover to intervene with the French Government. It is not very likely, however, that any relief can be expected in view of the present temper of all governments for the protection of the economic interests of their nationals. To be sure, intervention of this kind at once met with success when the Minister of Agriculture rescinded a decree against the entry of American fruits, which had been barred because of the discovery of San José scale in a large number of apple shipments. M. Chauveau, the new Minister of Agriculture, under the terms of a special order of March 15, exempted from the embargo all fruits wrapped in paper or packed in boxes. Barreled apples leaving the United States after March 9, the date of the decree, are to be admitted only when guaranteed, by a certificate signed by American sanitary inspectors, to be free from contamination.

This protective policy was carried further when the Senate on March 29 approved a bill already passed by the Chamber increasing the customs duty on semi-finished goods from 2 to 4 per cent and on finished products from 2 to 6 per cent. The Minister of Finances argued that the increase was not prejudicial to foreign trade as it aimed only to place on foreign goods a burden similar to that on certain French manufactured articles which

are subject to special taxes that are not applied to foreign products.

The quota system found an official apologist in Maurice Petsche, Under-Secretary for Fine Arts, who, in a speech delivered on April 5 before the National Economic Council, explained that French exports had been crippled by tariff barriers everywhere, that capacity to buy within the country had been reduced and that French industry was menaced by an enormous influx of foreign goods. The classic expedient of raising customs duties, he added, was of no avail because the practice of granting export bounties had "falsified the normal play of the customs mechanism." The government had to find something else to save national industry; the quota system was the remedy.

#### *NO PENSION FOR POINCARÉ*

An item in the current budget granting ex-President Poincaré a life pension of \$8,000 a year—an item unfortunately lost in the shuffle of the last days between the Chamber and the Senate—illustrates the fact that French statesmen do not enrich themselves in the exercise of power. Besides his term as President, which he ended poorer than when he began, M. Poincaré has been in the Ministry almost as many times as Briand was and much longer. Between Ministries he has had a very profitable practice as a lawyer, but the stabilization of the franc in 1928 at one-fifth of its value brought ruin to the man who was responsible for it in his attempts to salvage the finances of his country. In spite of his indefatigable labors as a writer in the intervals of illness M. Poincaré has seen himself, if not reduced to poverty—he still retains his Senatorial position—at least sufficiently cramped to feel the need of a government pension.

#### *FRENCH STUDENTS STRIKE*

The Latin Quarter witnessed in early March a students' demonstra-



tion which, for once, had no actual political bearing. In fact, the movement, which spread over all the law schools of the seventeen French universities, had for its purpose a protest against a bill recently adopted by the Chamber which threatened to cheapen the law diploma required by all lawyers and known as the *licence en droit*. To take this examination it is necessary to have a degree of Bachelor of Arts. The bill voted by the Chamber would have permitted certain clerks in law offices, who had passed a law examination for a "certificate of capacity" to present themselves for the *licence en droit*. Through petitions and a short strike the students succeeded in bringing pressure to bear on the Senate to repeal the proposal adopted by the Chamber, thus maintaining scholastic

standards and, at the same time, checking the already serious overproduction of lawyers.

### BELGIAN FINANCES

The Belgian Chamber on March 9 approved a bill raising customs duties on meats, butter, fruits, oil and other products. This vote, later confirmed by the Senate, regularized a schedule which had been in effect for three months.

The project of financial reform was voted on March 17 after a three days' debate. All budgetary expenses were reduced 10 to 15 per cent, which assures a saving of \$18,210,600. All taxes were also increased by 10 per cent, and in some cases 15 per cent, thus yielding to the Treasury an additional \$15,123,200. In this manner the deficit of \$33,360,000 was met.

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## Germany Re-elects Hindenburg

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By SIDNEY B. FAY

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IN the German Presidential election on April 10, 1932, Paul von Hindenburg was re-elected by a plurality of 5,942,182 votes in a total poll of 36,491,694. He received 19,359,642 votes, while his opponents, Hitler and Thaelmann, received 13,417,460 and 3,706,388, respectively. (These are the provisional returns.) Duesterberg and Winter, the two other candidates of the first balloting, on March 13, 1932, had dropped out. The final figures in the first balloting were: Hindenburg, 18,650,730; Hitler, 11,339,285; Duesterberg, 2,557,590; Thaelmann, 4,983,197, and Winter, 111,432.

It is worth recalling that in the first voting for President, on March 29, 1925, the number of valid ballots cast was 26,866,106, thus divided:

Braun (Socialist) .....	7,802,497
Jarres (Bourgeois Combination).....	10,416,658
Marx (Centrist) .....	3,887,734
Thaelmann (Communist) .....	1,871,815
Hellpach (Democrat) .....	1,568,398
Held (Bavarian People's Party).....	1,007,450
Ludendorff (Extreme Reactionary) .....	285,793
Scattered .....	25,761

On April 26, 1925, the number of valid ballots cast in the run-off election rose to 30,351,813, divided as follows:

Hindenburg (Conservative Bloc).....	14,655,641
Marx (Progressive Bloc).....	13,751,605
Thaelmann (Communist) .....	1,931,151
Scattered .....	13,416

There were 150,654 void ballots cast in the first election and 216,061 in the second.

Although Hindenburg failed in the March, 1932, polling to secure the absolute majority of votes required for

election on the first ballot, the fact that he received 7,250,000 more votes than Hitler, and that he came within one-half of 1 per cent of the necessary majority made it almost certain that he would easily secure the necessary plurality at the second poll. The election was proof that the sturdy common sense of the greater part of the German people has persisted in spite of the nation's difficulties and its humiliating international position and in spite of the oratorical promises of Adolf Hitler. Chancellor Bruening's efforts for German political and economic reconstruction were strengthened by the election, while the way was paved for greater progress on the disarmament, reparations and debt problems than would have been made had Hitler been elected.

On the streets of Paris, when the election figures showing Hindenburg's large lead over Hitler at the first voting were announced, there were cheers for the man who had been one of the leading commanders of the German armies in the World War. In contrast to Hitler, Hindenburg was regarded by the French as a relatively "safe" candidate. It is to be hoped that the outcome of the German election may have a calming effect in France and strengthen the Left parties there in the general election to be held in May, so that on both sides of the Rhine there will be moderate and not extreme nationalist elements in power. With moderation on both sides there may be some hope of making progress on all the questions which keep Europe politically divided and economically depressed.

The outcome of the voting on March 13 showed several things. Hindenburg proved to be a very popular figure personally, and polled a larger vote than could have been secured by the parties supporting him if they had been seeking seats in a Reichstag election. Hitler did not come up to the claims which he and his supporters had made. Duesterberg, the Nationalist candidate of the Hugenberg party,

did not run as well as his backers had hoped. His 2,500,000 votes were insufficient to make it possible for Hugenberg to bargain with either Hindenburg or Hitler for the support of the Nationalist followers at the second balloting, as they were not numerous enough to turn the scale in favor of either candidate. Duesterberg withdrew from the race. Hugenberg then told his followers they could vote as they liked, thus breaking up the "Harzburg coalition," by which the Nationalists and National Socialists had been in cooperation against Bruening for several months. Finally, the Communist party, with its 5,000,000 votes for Thaelmann at the March elections, was proved not as strong or as great a danger to the German Republic as many people had feared.

In view of these facts, the campaign before the April election was less exciting and intense than that before the March voting. Moreover, President Hindenburg decreed a fortnight's political truce extending over the Easter holidays, forbidding all party meetings and demonstrations. When the truce ended, on April 3, Hitler again took the stump, making several fervid speeches each day, hurrying about in airplane or automobile and addressing mass meetings of his enthusiastic followers. Bruening and the government leaders did likewise, though in less spectacular fashion.

Karl Severing, the Prussian Minister of the Interior, caused a political sensation throughout Prussia on March 17 by ordering his police to seize the secret papers of the National Socialists. He stated that 500,000 Hitler "storm troops," including automobile and motorcycle detachments, had been made ready for mobilization at various points throughout the State. It was said that a code message, "Grandmother dead," was to be broadcast as the signal for each unit to march to the nearest large town and seize power. Though this last charge may



be based on mistaken assumptions, there is no doubt that Hitler has founded his organization as far as possible on a military basis and that he is surrounded by a large staff of former army officers who are familiar with efficient espionage and military methods.

The material seized by the Minister of the Interior has been photographed and in part returned to its owners; the rest is being studied. According to the Prussian police, investigation has shown that it was proposed to put the organization into action on the night of March 13 if the election of Hitler to the Presidency that day threatened to provoke disorders. In a statement to the press explaining his raid, Severing declared that he had been fully aware of the existence of the Nazis' organization days before the election, but had declined to intervene as he was convinced that his police were able to cope with any outbreak. Furthermore, he desired to avoid the suspicion that he was seeking to influence the voters against Hitler on election day.

#### THE REPARATIONS PROBLEM

Though it is unlikely that any formal consideration of the problem of reparations and war debts will take place before the meeting at Lausanne in June, the subject is being given a great deal of private discussion by European statesmen and economists.

Lloyd George has published recently a volume strongly urging the general cancellation of all reparations and war-debts as the necessary preliminary to any rehabilitation of world commerce and industry. This is a counsel of perfection which it is to be feared will not find acceptance with politicians on either side of the Atlantic. Sir Arthur Salter, who is close to the British Government and was long an economic expert at the League of Nations, is the author of a book, *Recovery: The Second Effort* (Century), on Europe's crisis which contains a reparations plan that is said to be remarkably close to what Ramsay

MacDonald is supposed to be ready to sponsor. Sir Arthur wants to see the non-postponable reparations — about \$150,000,000 — as well as the international war debts, retained formally but written down to conform with the reduction in world prices. On this basis he estimates Germany's maximum annual contribution at about \$100,000,000. He would provide for part of this payment by reparations in kind, which it is Germany's own interest to make. The balance would be obtained by dividends on the common stock of the German Railway Company, the largest industrial corporation in the world. As in hard times this stock would pay nothing, Germany would be required to pay reparations only in case she could afford them. He also argues that Great Britain should be granted the same low rate of interest on her debts to America as the other debtor countries, and should continue the policy of collecting no more than she owes.

At the time the Young Plan was adopted there was a general objection on the part of many countries, especially Great Britain, to Germany's paying reparations in kind. Therefore the Young Plan provided that they should decrease steadily from year to year and finally cease altogether after ten years. The British felt that the importation of German goods in the form of payments in kind damaged British markets on the Continent, since Germany exports a good many basic commodities which are also produced by British industry. Moreover, the payments in coal to France by Germany had seriously interfered with the British export of coal, notably to Italy and Spain, where the French were able to sell German coal at a price which the British coal exporters could not meet. But there are many German exports, like lumber, nitrates and other chemical products, which do not seriously compete with what France and Great Britain produce. It may be, therefore, that these two countries will agree upon a plan

whereby German reparations in kind shall be paid in larger amounts than stipulated under the Young Plan, but that these payments shall not include coal, thus permitting the British to regain their lost Continental markets and allowing France still to receive some reparations.

While it is likely that in one form or another the moratorium given to Germany must be extended to some extent at Lausanne, it is plain that payments in kind are more susceptible of being resumed than payments in cash. German industrial leaders, it is reported, are not so opposed to the plan for larger payments in kind as would appear from the recent political declarations in Berlin. Such a solution might revive German industry and reduce unemployment, but the immediate problem would be to find means within the Reich to finance payments to German producers for the deliveries in kind.

Meanwhile it is reported that Bruening is planning to balance the German budget without making any provisions for the payment of reparations, which the Advisory Committee of experts of the Bank of International Settlements declared last December to be beyond Germany's present capacity to pay.

#### *GERMAN BUSINESS CONDITIONS*

The Junkers Airplane Works and the Junkers Motor Company announced suspension of payment to creditors on March 22. A recent examination of the status of the concern showed that the assets were nearly double the liabilities, so that the present difficulties are caused only by frozen assets and the failure of negotiations to secure new funds from the government. The airplane factory is working at nearly full capacity to fill orders from Scandinavian countries, Argentina and Far Eastern nations. Professor Hugo Junkers, whose ingenuity and research built up the company, owns and controls nearly the entire concern.

A sweeping scheme of reconstruction for the Hamburg-American and the North German Lloyd lines was made public on March 19. Unlike the German banks, the German shipping companies have successfully overcome the difficulties of past years and are still strong enough to get along without a direct public subsidy. Under the new German scheme the two great German shipping companies will be financially reorganized through the cooperation of banks, creditors and the government, which will assist only by partially guaranteeing the liabilities of the lines for one year.

In exchange for this guarantee the companies pledge themselves to a program of rigid economy during the period of depression. Virtually no new ships are to be built and old vessels are to be broken up. While not merging, the two lines are united by a close pooling agreement and will carry further the program adopted more than a year ago of dissolving competing agencies, dividing business and cooperating for mutual interests. They will have henceforth one supervisory board to consist of thirty members, of whom one is to be a trustee of the government and eight others are to be appointed only with governmental consent. While this assures a certain influence of the government on the business policies of the lines for one year, it is emphasized in the official statement that the lines are to remain private concerns, especially as "the business policies of the lines are free from all blame." In the past year they earned \$33,000,000. It is expected that the new scheme will result in economies amounting to \$10,000,000.

The population of Berlin on Jan. 1, 1932, was 4,288,314, a decline of 43,721 during the past year. Approximately a quarter of the decrease was the result of an excess of 10,714 deaths over births; the remainder was due to emigration.



# Spain Continues War on Church

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By WILLIAM E. LINGELBACH

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SPAIN this year, for the first time in its history, officially neglected Holy Week, and the Cortes held its regular sessions even on Good Friday. The traditional Easter week services, extending in places over a fortnight, have for centuries been lavish and spectacular, attracting thousands of visitors, especially to Seville and Granada, where the processions were world-famous. This year much less was made of the celebrations, especially the processions, because of the hostility of the government, fear of radical attacks and the unwillingness of the religious brotherhoods to seek the necessary permission from the lay authorities. As a result, the procession of the Virgin de la Estrella was the only parade of its kind in Seville. Even this was attacked, three persons being killed and thirty-two radicals arrested, several of whom were seriously beaten by the indignant populace.

Anti-church agitation interfered with the religious celebrations in other places. At Antequera, the industrial centre for tanneries and the silk and wool manufactures of the province of Malaga, a mob of strikers, after a fight with the civil guard, burned and destroyed a monastery. During the interpellation in the Cortes on the incident, the government speaker characterized it as one of "extreme savagery." On the other hand, Manuel Cordero, the Socialist Deputy, retorted that "the populace there is 85 per cent illiterate, although there are twenty rich monasteries in the vicinity. While I regret the incident, the feeling among such people is understandable." This speech expressed the

hostility of the Left to the church and the insistence upon speeding up the government's education program, which calls for 28,000 new lay schools in three years. More than 7,500 have been opened since May, 1931, but over half the schools are still in the hands of the church, since the shortage of teachers and of money makes it impossible to secularize the entire system in a short time.

Financially the republic is not only practicing rigid economy but is doing everything in its power to avoid becoming under too heavy obligations to foreign influence through borrowing. Jaime Carner, the Minister of Finance, announced on March 14 that the offer of a foreign syndicate to float a new loan had been rejected, the government being confident that Spanish resources were adequate to finance a bond issue.

Meanwhile Spain is drawing closer to her Latin sisters in the matter of trade. Following close on the heels of the Franco-Spanish commercial treaty came the Italo-Spanish trade accord published in the official gazette late in the month. According to its terms, Spain extends preferential tariff privileges to certain Italian commodities—notably cloth machinery, automobiles and tires—in return for advantageous duties on Spanish products entering Italy. The commodities on which preferential rates are granted are of peculiar interest to the United States because they make up the bulk of our trade with Spain. The new agreements are therefore especially discriminatory against us and seriously threaten what was developing into a very promising trade. Without

the most-favored-nation clause in our commercial treaties with these countries, however, our trade is at the mercy of discriminating tariff legislation and hostile treaty arrangements. In the meantime, International Telegraph and Telephone, Inc., with other foreign corporations of its kind, is faced with the government's policy of nationalizing all power and public utility corporations.

#### SPAIN'S MOROCCAN POLICY

On the subject of Morocco, the government, after considerable hesitation, has finally announced its policy with much clarity and good judgment. Spain will not withdraw from Morocco, but under a program of rigid economy will proceed to a vigorous development of the region. Spanish Morocco consists of a strip of about thirty miles in depth on the African Continent, extending from Tangier on the Atlantic in the west to a point about twenty miles east of Melilla on the Mediterranean. Since peace was restored in 1926 public works and roads have been built and a policy of conciliation developed which has put the relations between the Spanish and the natives on an eminently satisfactory basis. According to an official announcement a Spanish unit will replace the Spanish Foreign Legion, which will be disbanded. Spain will police Morocco, so Premier Azana has announced, by soldier-colonizers, who will be encouraged to take up land and establish themselves permanently in the region.

#### AGRARIAN REFORM IN SPAIN

In domestic matters, the government has made considerable progress on the supplementary legislation to republicanize the nation. A bill for agrarian reform was introduced during the month by Marcelino Domingo, the Minister of Agriculture. It provides for the expropriation, without indemnification, of hereditary estates of feudal origin. Only claims for improvements will be recognized. Non-

feudal land which will be expropriated, will be paid for partly in cash and partly in special government bonds, the plan providing for an expenditure of \$5,000,000 annually for the expropriation of the land of the great landowners in favor of a wider distribution of peasant ownership.

#### END OF MILITARY POWER

Vigorous steps were taken during the month to carry further the elimination of the army from politics. Once all powerful, the Spanish Army is being entirely obliterated from public affairs. The new regulations provide that pay will be withdrawn if the officers interfere in any way with political matters. At the same time, the *Army and Navy Journal* and the *Correspondencia Militar* have been ordered to liquidate.

#### SPAIN'S INTERNAL UNREST

While aristocrats and reactionaries are being curbed, radicals of the Left are more or less active. Communists and Syndicalists continued during the month to make trouble; violence and strikes accompanied by bombings occurred sporadically in different parts of the country. In Barcelona the workers made several abortive attempts to take over industries. On March 21 the press reported that a Communist plot for an uprising throughout the South and East, on April 14, the anniversary of the founding of the republic, had just been discovered. According to the papers seized, funds and agents were furnished by Moscow. A week later, the police arrested fifty-eight radicals in a raid on the Sindicato Unico at Barcelona. On the other hand, the bombing of the offices of the Free Port of Barcelona on April 4 seems to have been the work of Separatist agitators.

#### ITALIAN ECONOMIC TREND

Economic questions were conspicuously prominent in Italy during March. Despite Mussolini's optimistic



forecast and his announcement on the occasion of the thirteenth anniversary of the founding of Fascism on March 23, of the return of prosperity in the near future, unemployment continued to increase, reaching the unprecedented total for Italy of over 1,150,000, or six times the monthly average during 1926, and an increase of 100,000 since Feb. 1 of the present year.

On the other hand, the news in connection with the new 1,000,000,000 lire loan—\$52,000,000—to retire a similar amount of 5 per cent treasury bonds maturing next November, is most encouraging. The new bonds, which also bear interest at 5 per cent, were reported as oversubscribed even before the public offering. Like the loans in connection with the first great refunding of the Italian national debt in 1904, the response of Italians is gratifying evidence of their confidence in the national government. Further, it marks a significant tendency to provide for the financial needs of the government from resources within the country itself, thus materially increasing the stability of its money and credit system. In entire accord with this is the further decrease during February of 324,000,000 lire in the paper money in circulation, the total reduction in the twelve months preceding being nearly 1,250,000,000 lire, despite a more than 50 per cent rise in the buying power of the lira.

#### FASCIST PROPAGANDA METHODS

The production of the play *Villafanca*, of which Mussolini is apparently a co-author with Giovacchino Forzano, marks an interesting phase of Nationalist propaganda not unique in post-war Italy. It is the first play that Mussolini admittedly helped to write, although it is reported that he suggested the plot for *Campo de Maggio*, in 1929. The plot of *Villafanca* deals with the diplomatic and

military events which led to the unification of Italy, and is regarded by some as a definite effort on the part of Fascism to bring the Risorgimento into line with Fascist ideals. In a measure this is being accomplished and Italian youth will perhaps see the great idealist Mazzini in a new light.

In addition to the Mussolini-Forzano play, the Premier, later in the month, announced that he was about to publish a book on the great achievements of the Italians, especially on those relating to their share in the making of the new world. Foreign Minister Grandi, who is editing the book, believes it will greatly stimulate the pride of Italians in their past and in themselves. The book is to be published by the government printing press.

#### CONSTITUTIONAL REGIME IN PORTUGAL

The Portuguese Minister of the Interior at a meeting of the civil governors of the different cities on March 2 announced that the military dictatorship of President Carmona was soon to come to an end and that a President elected by direct vote of the people would take his place under a new Constitution patterned after that of the United States. Three weeks later, on March 21, the announcement was confirmed by General Domingos de Oliveira, the Prime Minister. The new Constitution prepared by the government, he said, will soon be submitted for ratification to the people.

In general the announcement created very little excitement. The dictatorship is successfully maintaining law and order and carrying the nation successfully through the economic depression. There is, therefore, no widespread opposition, the more so, since the dictatorship seems to be in complete sympathy with the Nationalist movement, which is again manifesting itself in a demand for higher tariff rates.

# Polish Parliament Loses Power

By FREDERIC A. OGG

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PARLIAMENTARY government in Poland during March took a new, and apparently backward, step on the hazardous road which it has traveled since the creation of the republic. The Sejm, in compliance with urgent demands from the government, passed before adjournment on March 14 a measure authorizing the President for three years and during recesses of Parliament to issue decrees with the force of law. The unification of laws may be effected by decree and, during the Parliamentary recess, which is scheduled to last until next October, decrees may be issued upon all economic and financial affairs except taxation and foreign loans. In defense of the measure it was urged that under existing economic and financial conditions the Parliamentary machine is too slow and the Executive must have freedom to act swiftly.

President Moscicki, in accordance with the new grant of powers, inaugurated on March 30 a series of monthly conferences with Premier Prystor and all former Premiers since the Pilsudski dictatorship began, with a view to planning the decrees to be promulgated. Executives everywhere, in these days of impaired faith in popular representative bodies, are growing in power. Few Parliaments of Western and Central Europe, however, have authority which is as shadowy as that left to the Sejm at Warsaw.

In protest against a government project for unifying the system of social insurance, reducing benefits and shifting upon the workers part of the burden of unemployment and

sickness insurance previously borne by employers, approximately 50 per cent of the country's working population participated in a one-day strike on March 16. The trade unions, under Socialist impetus, proclaimed a strike in all branches of employment, but the workers on railways, tramways and other public utilities did not take part. Clashes with the police resulted in a number of deaths.

On taking office as Polish High Commissioner at Danzig on March 23, Dr. Casimir Pappee pronounced Polish-Danzig relations far from satisfactory, but asserted that "Danzig is the port of Poland and is permanently connected with the Polish Republic. \* \* \* Danzig can exist and grow only as a Polish port. \* \* \* The Free City was created to serve that purpose and must be governed so as to fulfill the obligations imposed upon it by the treaty of Versailles." The chief matter of contention at the present time is that of customs administration — more particularly the flow of German-made goods into Polish markets under the guise of having been manufactured in Danzig, and therefore of being duty-free. With a view to suppressing the abuse, the Warsaw Government has notified the Danzig High Commissioner that the entire work of customs administration at the Free City must forthwith be handed over to Poland. Announcement of this plan, however, has stirred strong protest on the part of Danzig residents, who argue that if carried out the change will destroy the last vestige of the Free City's intended commercial autonomy.

Poland and Germany since 1925



have been engaged in a tariff war. Last December the Warsaw government decreed a prohibitive tariff on German goods in retaliation for the German maximum tariff on Polish imports. As trade between the two countries threatened to collapse, Poland, at the middle of March, proposed mutual ratification of an abortive treaty signed in 1930, or, in lieu of that, the negotiation of a new treaty. Germany was not prepared to go so far, but an agreement has been reached under which German maximum rates will be applied to only a stipulated list of Polish commodities, while Poland, in turn, will modify certain increases of rates made in December.

#### *RUMANIAN STUDENT RIOTS*

Serious Rumanian student rioting occurred in the neighborhood of the university at Bucharest on March 22 and 23, in protest against certain bills pending in Parliament which were regarded by the rioters as affecting their rights. Taking advantage of the disturbance, Communists smashed the windows of the Senate building, while at Jassy other demonstrations, chiefly by students, took a decidedly anti-Semitic turn. Premier Jorga, himself a university professor, conceded in a speech in Parliament that the dissatisfaction of the Bucharest students was justified.

The domestic difficulties of the royal family still are featured in the world's press. Late in March, Princess Helen, the estranged wife of King Carol, went to Bucharest to see her son, Michael, and was received in a manner distinctly friendly. It was reported that her brother, the former King George of Greece, who preceded her to Bucharest, interceded with the King in behalf of a more generous financial allowance for her.

#### *CZECHOSLOVAK FINANCES*

The essential soundness of Czechoslovakia's financial position is re-

vealed by the fact that neither the repayment of some \$59,000,000 of short-term indebtedness abroad during the last half of 1931 nor the inability, because of moratoria and other measures, to recover an equal amount due her for exports abroad has in any degree shaken confidence in the crown. When, during the first week of March, the French Parliament approved a Czechoslovak loan of \$24,000,000, Premier Tardieu aptly pointed out that the money was designed, not to meet a deficit, but only to tide over the temporary lack of liquidity of the Czechoslovak Treasury as a consequence of the effect of the world crisis on the country's income. Coupled with reductions of expenditure and the tapping of certain new sources of revenue, the French loan has placed Czechoslovakia's finances in as satisfactory a position as any nation can expect under existing world conditions. French bankers considered it significant, however, that without support from Paris not even Czechoslovakia could raise the money she required.

#### *YUGOSLAV CABINET CRISIS*

A long-threatened political crisis in Yugoslavia occurred on April 4, when General Pera Zivkovitch, Premier since the establishment of the dictatorship in January, 1929, resigned with all his Cabinet and was succeeded by Foreign Minister Marinkovitch. The new Cabinet, however, was identical with the old except for the Premiership. Whether the public discontent that proved General Zivkovitch's undoing will eventuate in an era of greater Parliamentary freedom remains to be seen. The Opposition, severely handicapped by the restrictions imposed upon it both under the formal dictatorship and under the more veiled dictatorial régime of the past year, is expected not only to demand new elections but also to insist upon a revision of the extraordinary Constitution put into effect by royal decree last September.

# Kreuger's Vanished Millions

By JOHN H. WUORINEN

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THE vanishing of millions which the Kreuger interests were supposed to have held has had widespread consequences. The first news of Kreuger's suicide gave the Paris Bourse the worst day it has had since the Kreditanstalt failure, and security exchanges in other countries suffered a sharp fall in prices. Believing that the suicide would precipitate a rush of creditors on the Kreuger companies, the Swedish Government obtained authority on March 13 to grant moratoria on private payments for a month, and the Stockholm Stock Exchange was ordered closed. That the necessary legislation was rushed through both chambers of the Riksdag in the early hours of the morning indicates the extent of official concern over the situation. Three days later, the government appointed Ernst Lyberg, former Minister of Finance, supervisor of the Kreuger & Toll concern during the period of the moratorium. It was thus clearly shown that the country was dealing with no mere private business disturbance.

The first specific indication of the lay of the land was given on March 25. On that day the committee appointed to investigate the position of the Kreuger & Toll Company issued an interim report in which it declared for a prolonged moratorium. It was suggested that such a procedure was necessary in order that forced and disastrous liquidation by domestic and foreign interests might be avoided. The report said that "the preliminary results of the inquiry seem to indicate that the position [of the Kreuger concerns] is not strong"—a characterization to which exception was taken by Lee, Higginson & Co., banking repre-

sentatives in the United States of the Kreuger & Toll interests. In a statement dated March 25, the American banking house asserted that the conclusion of the Stockholm committee was quite at odds with Mr. Kreuger's last report of the condition of his business affairs and with the 1931 annual statement of the Kreuger concerns.

On March 30, loans totaling about 150,000,000 kronor (approximately \$30,000,000), were arranged by the Swedish Government and by private banks in order to maintain the liquidity of the Skandinaviska Kreditaktiebolag Bank, strained by the difficulties of Kreuger & Toll. The Swedish Treasury, it was also announced, would make itself responsible for the engagements of the bank to the National Bank, in case they exceeded the government's 100,000,000 kronor share of the loan. Prime Minister Ekman had made a statement on the preceding day to the effect that the government was contemplating, with Riksdag support, a plan designed to help Swedish credit institutions that had been hard hit.

That such action would be required in the near future was to be gathered from the report, issued on April 5 by accountants who had been investigating the books of the Kreuger companies. This report said that the 1930 balance sheet of Kreuger & Toll "grossly misrepresented the true financial position of the company," and went on to state: "In some instances there is reason to believe that the assets \* \* \* set up in the books were either greatly in excess of the items they purported to represent or entirely fictitious—or represented a duplication of assets belonging to or appearing



on the books of the associated companies. Moreover, even if some substance should lie behind these book assets and accounts, there are instances where the description and classification in the balance sheet are entirely misleading." The 1930 balance sheet had been made under the personal direction of Kreuger. Lee, Higginson & Co., in a statement issued in New York on April 5, declared that the serious irregularities that had been revealed had been concealed "only by the most flagrant misrepresentations" and referred to the "gross frauds" that had been perpetrated by Mr. Kreuger in connection with his company's affairs.

These revelations created a sensation in the Swedish capital comparable to the shock of Mr. Kreuger's death itself. When the report became known, the lower house of the Riksdag was debating the question of government aid for Mr. Kreuger's bank, the Skandinaviska Kreditaktiebolaget. "We know now that the Kreuger company broke down not because of bad luck or bad conditions but because of dishonesty," declared Mr. Endberg, editor of the *Social Demokraten*; "the report is bound to hurt our reputation abroad. The only way we can retrieve that reputation is by complete honesty. No matter what is yet to be revealed, we cannot allow any one to hold the impression that we are going to hide anything." Whether the Swedish Government will find it necessary to lend more money to institutions weakened by the catastrophe is not known at the time of writing.

#### LIQUOR QUESTIONS IN SCANDINAVIA

During the month of March, Finland prepared to return to a system of legalized liquor consumption. The necessary stores of intoxicants were obtained—it was reported on March 17 that some 875,000 bottles of strong drink had been ordered by the government alcohol corporation—and when the new law went into effect on April

5, all demands for "conversation aid" were pretty successfully met. On that day, the government liquor shops were besieged by crowds from early morning on, and newspapers appeared with editorials and poems extolling the beginning of a new era, as well as with a profusion of liquor advertisements. The country's official change—for one can hardly call it anything beyond an official change—was effected in a jovial, orderly manner, and the police reported no increase in drunkenness.

In view of the abandonment of prohibition in Finland, the decision reached at the Swedish national prohibition congress, which met in Stockholm in the early days of March, is not without significance. The program approved by the congress no longer includes prohibition as an immediate objective, but seeks to attain its goal of temperance by means of continued individual restrictions and higher excise taxes. In other words, it was declared that the Swedish Bratt system, with its individual rations, should be maintained alongside of the Danish system of higher taxes until the higher rates have shown themselves effective in reducing liquor consumption.

In 1915 Iceland enacted a law forbidding the sale of alcoholic liquors. The blanket prohibition was modified in 1922 as a result of retaliatory Spanish duties imposed on Iceland's exports of fish to permit the importation of wines and spirits containing up to 21 per cent alcohol. During the past decade, the friends of temperance in Iceland have found, however, that illicit distilling and drunkenness have been increasing. It was thus that a bill introduced to the lower house on March 15 advocated that the government grant concessions for the brewing of beer up to 4 per cent. Another noteworthy revision of existing liquor legislation was contemplated in Norway, when the government submitted a proposal to the Storting, which would provide unrestricted sale of beer, easier purchase of stronger in-

toxicants and a modification of the present local option regulations—presumably in favor of restaurants and clubs which are located in dry communities.

### DANISH AFFAIRS

The question of paring down the Danish military and naval expenditures was taken up again on March 16, when the proposals of the Venstre (the Left, or Liberal, party) were introduced into the Landsting. The program called for yearly army appropriations amounting to 24,000,000 kroner (less than \$6,500,000) and for naval expenditures of 11,500,000 kroner. The government proposal, which has been periodically discussed since 1929 and has undergone certain changes during the past three years but is still calling for lower appropriations, was also debated. The members of the Venstre held the government program to be unacceptable, and together with the Conservatives were able to defeat it, 39 to 33, despite the Radicals and the Socialists.

Denmark has made strenuous efforts to find relief from the economic depression. A significant arrangement was effected in the closing days of February, whereby the unemployed in Copenhagen were given rebates ranging up to 10 per cent on a large number of commodities, especially food-stuffs. On March 4 the government presented a proposal for higher taxes, which was designed to yield over 20,000,000 kroner (more than \$5,000,000) for the relief of the unemployed. A week later Prime Minister Stauning urged drastic changes in the organization and economic life of Denmark. He advocated the abolition of the upper house of the national Legislature—this suggestion has been made several times during the past few years, especially because of the Con-

servative opposition in the upper house to the disarmament schemes of Stauning and his colleagues—and the establishment of an advisory body to deal with economic questions. The Premier held that the time is approaching when the State must control (or direct those who do control) production, commerce and such matters—that, in other words, a planned and managed economic system is needed.

### THE MEMEL QUESTION

The situation in Memel has remained unsolved, and reached a new and acute stage on March 22 when Edouard Simmat, the newly appointed President of the Directory, failing to obtain the desired vote of confidence from the Memel Diet (the adverse vote was 22 to 5), dissolved the Diet. By so doing, Simmat defied Great Britain, France and Italy, for these countries had observed in notes submitted to the Lithuanian Government that the dissolution of the Diet would be "in conflict with the recommendations of the League of Nations." On March 23 it was reported that the German Government had submitted notes to Kovno, London, Rome and Paris protesting against the dissolution and declaring that the appointment of the Cabinet headed by Simmat, as well as the dissolution, was in conflict with the statute guaranteeing Memel's autonomy. The powers that guaranteed the statute were requested to take the case of ex-President Otto Boettscher before the World Court and to prevent any undue influence by the Lithuanian Government upon the forthcoming elections. Attention was called particularly to reports from Kovno that the Lithuanian Government planned to transport Lithuanian subjects to Memel for the purpose of obtaining the results desired at the polls.



# Soviet Peasants Force New Crisis

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By EDGAR S. FURNISS

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CONDITIONS in the grain-producing regions of the Soviet Union have become so unfavorable during the past month that something in the nature of an agrarian crisis has appeared. This is not of abrupt and unexpected origin. Since late last Fall there have been indications that things were not going as well in this branch of the Five-Year program as the official statistics of the progress of collectivization would lead one to believe. Almost immediately after the harvest the government began to encounter difficulties in collecting grain for urban consumption and for export—difficulties which called forth measures of compulsion that increased in severity as the months passed.

The situation was attributed at first to the "immorality" of the peasants, who, failing to catch the social spirit of the collective system, were hoarding for their own use food crops which should have been made available to serve national needs. As propaganda intended to shame the peasant into better social behavior failed to remedy the situation, more aggressive measures were adopted. Individuals were haled before the local Soviets and there denounced and punished; forcible seizure of grain was attempted wherever hoards were discovered; and finally the local Soviets began to impound the live stock of individual members of the collectives both as a measure of discipline in connection with the grain-collection campaign and as a direct means of increasing the public food supply.

The effect of these policies was disappointing, and in some respects even positively injurious to the Soviet program. Toward the end of the Winter

certain of the chief grain-producing areas had not only ceased to supply the expected foodstuffs but had begun to demand food relief for their own population. In March conditions approached a crisis when the Spring sowing campaign was threatened with disaster because of the government's inability to provide the requisite seed grain. The Soviet press then announced that only 60 per cent of the necessary seed was available and expressed grave concern lest the entire harvest program for the year be jeopardized. Immediately all the machinery of the government was mobilized to grapple the problem. At the same time attempts were made to allay the growing antagonism of the peasants by calling a halt upon the coercive measures of the local officers, especially with regard to the forcible socialization of live stock. A decree of the Central Executive of the Communist party published on March 27 denounced these practices as an offense against the declared policy of the government and threatened immediate expulsion from the party for all officers who failed to put a stop to them.

These agrarian difficulties are the result of a combination of causes. Of fundamental importance is the partial crop failure of last year, about which the world is only now receiving reliable information. No final figures for the crop have ever been published by the Soviet Government, presumably because it was not considered good policy to announce that the result of the much-advertised agricultural revolution had been disappointing. It is now clear, however, that Russia not only has no grain for export but is obliged to distribute food grains to

large sections of her own peasant population. Another factor in the situation was a serious miscalculation by the Soviet authorities of the importance of the small independent producer in the scheme of things. During the era of enforced collectivization multitudes of small enterprises which had been supplying the urban market with garden and poultry products were put out of business, and at the same time the small private traders who had formed an important link in the distributive system were brought under the ban.

The government, discovering belatedly the importance of these capitalistic undertakings, has attempted to repair the damage done by their extinction, but the effect of its earlier policy is now becoming apparent. In addition to these causes of actual scarcity of foodstuffs, other phases of Soviet policy have made it difficult to move the existing grain supplies from the farm to the market. Chief among these are the embargo on imports of goods for consumption, the industrial policy which has permitted the "starving" of factories purveying to the consumer so that the heavy industries might expand, and the export policy which has sold abroad goods sorely needed at home. These are all essential attributes of the Five-Year Plan, but their effect has been to deprive the peasants of any inducement to part with their surplus products, since there was nothing to be bought with the rubles received from the sale.

The situation with respect to live stock illustrates the limitations under which even the most dictatorial of governments labors when it attempts by compulsion to control the behavior of great numbers of people. The present dearth of farm animals is the direct result of the drastic means employed two years ago to force the individual peasants into the collective farms. This coercive policy was successful in the sense that it overrode the opposition of the recalcitrant peasants and compelled them to turn

their landholdings into common property, but it led to a wholesale slaughter of cattle, pigs and sheep as a final act of defiance against forcible socialization.

It will be recalled how Stalin attempted to relieve the situation by his vigorous rebuke of "hothead" party officials and his demand for an immediate surrender of the coercive policy in favor of persuasive methods. The damage had been done, however, before he acted. It is estimated that a third of the cattle and more than half of the smaller live stock in the country were destroyed in 1929 and 1930, before the government could put a stop to the aggressive practices of its local officers. The recent decree referred to above is similar in tone and purpose to that of Stalin two years ago, and arises from the same circumstances. It registers the conviction of the government that the passive resistance of the peasants is too strong and too injurious to permit a continuance of aggressive governmental tactics. The official press, commenting on this decree, stated that the country was in danger of another "slaughter campaign" as a result of the forcible seizure of the peasants' farm animals during the recent months. Anything like an organized rebellion among Russia's gigantic rural population has been crushed, but the inarticulate mass of peasantry still has power to checkmate any policy of government which disturbs too violently its accustomed mode of life.

During the past two years the Soviet Government has made heroic efforts to repair through its own agencies the damage caused to the livestock supply by its short-sighted policies. Altogether, 1,480 State stock farms have been organized, with 2,500,000 head of cattle, 860,000 pigs and 4,750,000 sheep which are expected this year to contribute substantially to the country's food and industrial supplies. That this part of the Five-Year program has developed unsatisfactorily is shown by the fact



that on April 1 several score of farm managers were peremptorily dismissed from office, while criminal proceedings were begun against thirty-five others. The latest development is the invitation issued to an American stock breeder, Robert P. Lamont Jr., son of Secretary of Commerce Lamont, to take over the management of the entire Soviet cattle industry. Mr. Lamont is now in Russia investigating the problem. The task laid out for him by the terms of the plan for the next five years is a gigantic one. Russia proposes in that short space of time to raise her per capita meat consumption to a level with that of the United States, despite the fact that her population exceeds ours by some 40,000,000 and her present stock of meat animals is less than half of ours.

A dramatic incident of the recent agrarian disturbances has been the attempt of many despairing peasants to escape across the frozen Dniester River into Rumania. This movement, beginning three months ago, has swelled in volume as the Soviet agrarian agencies adopted more coercive tactics, until by the end of March it involved hundreds of families. The fugitives for the most part are people of Rumanian stock, citizens of the Moldavian Soviet Republic, who are fleeing from their homes as a protest against the forcible seizure of their grain and live stock and the pressure upon them to add their land to the collectives. Their action places them beyond the pale of Soviet law, for it is classed with civil war and counter-revolution as treasonable conduct. Hence the Soviet border patrol is under orders to shoot at sight. According to recent dispatches from Bessarabia, upward of 1,000 of these unfortunate people—men, women and children—have been killed by the guards.

#### SOVIET INDUSTRIAL PROGRESS

In the industrial as contrasted with the agrarian phases of the Five-Year program, current reports present a

more favorable picture. The State Planning Commission has made public preliminary figures for the first quarter of the year which discloses substantial progress over the same period last year. It reports that light industry is in general "accomplishing its program satisfactorily." In certain basic lines the published increases of output over that of last year were as follows: Electric power 45 per cent, coal 39, oil 11, pig iron 30, steel 19, non-ferrous metals 25, locomotives 54 and freight cars 50. The record of progress is emphasized by a number of individual achievements of heroic size, such as the completion of the gigantic Dnieper River hydroelectric installation, upon which the American engineer, Colonel Hugh Cooper, has been at work for the past five years, and the bringing into operation of the Magnetogorsk steel plant, which is described by William A. Haven, another American engineer, as "the most important accomplishment in the metallurgical field of the Soviet program." Perhaps the most favorable indication of the future progress is the steady improvement of the transport system to a level of performance 35 per cent above last year's. The breakdown of rail and water transport in 1931 was so serious as to threaten disaster to the entire program.

Though these fundamental services still fell 15 per cent short of their schedules, they appear to have overcome the most formidable of their difficulties. There are still serious weaknesses in the program, especially with respect to metal production, which despite the increases stated above lags 50 per cent behind the schedules. Another type of difficulty is represented by the abrupt closing of the great Nizhni-Novgorod automobile factory which only recently began production, heralded by the Soviet press as the first demonstration of Russia's ability to practice mass production on the model of the capitalistic world. But the Soviet system of divided responsibility for management and of ineffec-

tive discipline within the labor force has brought the huge enterprise to a standstill. On April 3 the Politbureau undertook to reorganize along capitalistic lines the relationship of manager to worker in the factory, announcing also that the newer methods would be applied to other industries as well.

The future of the industrial program seemed bright enough to induce the Soviet Government to announce on April 1 a rise of from 12 per cent to 18 per cent in the wage rates throughout the Union. Of itself, such an increase, since it is stated in terms of rubles, has little meaning until it becomes known whether the government will succeed in its effort to expand the supplies of food and other consumable goods which constitute the workers' real income. One important effect of the wage increase, however, has been that the Communist party has consented to change its rules with regard to the incomes permissible to its own members. Heretofore, Communists in good standing have been forbidden wage or salary incomes in excess of

certain strictly prescribed limits. The maximum rate of 300 rubles a month available to party members holding the highest industrial posts had placed their income well below that received by non-party workers holding subordinate positions, and even in the lower ranks of the labor force similar discrepancies existed between the incomes of Communist and non-Communist workers. This practice was based on the desire to exclude from the party all but those who were actuated by motives of idealism. It has been found, however, to work injury in two directions: first, by compelling the lower paid Communist wage earner to exhaust himself by overtime labor in order to make a living wage; and, second, by discouraging able party technicians from accepting inadequately paid positions of heavy responsibility. Now the Politbureau has announced that the maximum wage for Communists in high positions has been raised from 300 to 900 rubles a month, and that of lesser officials and workers increased proportionately.

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## The Fight for Land in Palestine

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By ALBERT H. LYBYER

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AFFAIRS in Palestine have been recently complicated by what appears to be a concerted movement on the part of the Arabs, both peasants and nomads, to take possession of lands bought by Jews. The explanation offered is that the lands had been sold illegally in the first place by Arab landowners, with no regard for the rights of their tenants, and that the dispossessed tenants decided to return and claim their own. Some have thrown themselves in front of the plows of Jewish farmers, while others have themselves begun to plow fields owned by Jews

or, in revenge, have torn down fences and uprooted young trees.

Defenders of the Arabs claim that landless Arab peasants have been thus seizing only uncultivated or fallow lands. Some admit the validity of the present titles, but affirm that, despite the fact that Arab tenants were entitled to remain on the land, they had been forcibly dispossessed by the Jewish purchasers. Jews are declared to have employed police aid to drive off small Arab farmers in cases where the right to do so could not be sustained if brought to court.

Jewish representatives state that in



all purchases of land by the Jewish National Fund, the former Arab tenants were fully compensated for their rights and that they returned only because of propaganda inspired by anti-Zionists. It is further declared that hundreds of thousands of acres of uncultivated land belonging to various Christian churches have not been occupied by trespassing Arabs, but that their descent has been upon lands actually occupied and used by Jews after legitimate purchase.

Chief Justice McDonnell of the Palestine Supreme Court lately ordered that "in all land-title disputes the persons claiming ownership must be regarded by the court as the plaintiffs, while the actual possessors though holding title must be deemed the defendants." The Jews regard this decision as prejudicial to their interests. In view of the fact that under Turkish rule the law regarding land titles was a complicated one, extensive and prolonged litigation is expected.

Committees of the Zionist Organization of America met in Philadelphia on March 13 and passed resolutions urging the World Zionist Organization and the Jewish Agency to petition the British Government to fulfill its pledges in the MacDonald-Weizmann correspondence, asking practical cooperation between the Palestine administration and the Jewish Agency, and calling for the opening up to Jewish immigration of territory between the Jordan River and the eastern boundary of Palestine. "We reaffirm," the delegates at Philadelphia resolved, "the determination of the Jewish people to cooperate with their Arab neighbors in Palestine on the friendliest terms for mutual progress, advancement and prosperity of the land."

The Palestine Government has relaxed somewhat the requirements for admission of middle-class settlers to the country. Farmers, merchants and industrialists are to be admitted with

no other restriction than that they must possess capital of \$2,500.

Citizens of Palestine as well as of Iraq have expressed considerable dissatisfaction because under the new British tariff regulations these countries have been classed as "foreign." This is held to be unfair, since in many ways they are united to Britain—through their monetary systems being tied to the fluctuating pound sterling and through their moral obligation to purchase British goods.

The former Khedive of Egypt, Abbas Hilmy, recently visited Turkey, Syria and Palestine. His visit gave rise to rumors that his conversations with High Commissioner Ponsot included discussion of his becoming King of Syria. As regards Palestine, it was said that he might become King of a combined Palestine and Transjordan, with possibly the Sinai Peninsula added. Premier Sidky Pasha of Egypt also visited Palestine and Syria in February. He was received with due honors by the High Commissioner at Jerusalem, and announced that between April 1 and Oct. 31 in each year the import tax on goods sent from Palestine to Egypt would be reduced by one-half. Rumor had it that Sidky made the journey in order to upset the efforts of Abbas Hilmy to become King of Palestine and Transjordan.

### EGYPTIAN AFFAIRS

The tenth anniversary of the British "Declaration Concerning Egypt," which recognized the independence of the country, with certain reservations, was marked on Feb. 28 by many articles in Egyptian newspapers on the relations between Egypt and Great Britain. Supporters of the government foresaw a satisfactory settlement of the reserved points by Prime Minister Sidky. The Opposition newspapers, however, declared that Great Britain was not interested in further negotiations, and was satisfied with the status quo, which allows her to main-

tain troops in Egypt and to exercise complete control over the Sudan. Some more radical journals advocated a commercial boycott against British goods, but, at present, such a proposal has small likelihood of success.

The rapid rise of the pound sterling in the first part of March led to a sharp fall in cotton prices and a small panic on the Egyptian Cotton Exchange. Government officials thereupon established regulations which prevent a single drop in price exceeding 1 cent.

A British company has submitted to the Egyptian Government a project of electrification dependent upon the water power at the Assuan Dam. A large power station would be established near Cairo to supply electric current at a low rate for light and power in irrigation, drainage and railway projects. The cost would be from \$120,000,000 to \$150,000,000.

#### *THE DEPRESSION IN TURKEY*

Early in March the Turkish Government was forced to ask various contractors in armaments and public works to accept a four-year delay in the payment of treasury bonds now due. In spite of successive reductions of government expenditures and increases in taxation and customs duties, the income of the Turkish State has fallen steadily and the difficulty of balancing the budget has become increasingly great. The government has firmly resisted the temptation to seek loans from foreign lands, fearing that some impairment of independence might ensue.

The government's distress is matched by great poverty among the people. Low grain prices affect Turkey with special force, because about 70 per cent of her population lives by agriculture. A proposal to place a tax on grain or flour consumed in the country, half of which will go to the farmers and half to the government, has been met with the objection that an extra burden would thereby be laid upon city dwellers and the producers

of agricultural products other than grain, and that the collection of such a tax would be difficult and expensive. The government has been encouraging cooperative societies, however, especially in agriculture. Chambers of commerce in different towns have passed rules for the control and standardization of such products as oranges, apples and cheese.

At the beginning of March a new organization called "The Peoples' Home" was inaugurated under the auspices of the Peoples' party. It will attempt to direct the efforts of the young toward the study of Turkish language, literature, folklore and history, as well as sponsor the arts, sports and the development of social institutions. It will be remembered that last year the organization of the "Turk Ojaks" was suppressed because it had become too narrowly nationalistic, and in some sections had developed into an exclusive private club. "The Peoples' Home" is to be open to all Turkish citizens, irrespective of racial origin or religious belief. This movement appears, therefore, to represent a trend quite different from the movement of the earlier twentieth century; the direction seems to be away from "Turkification" and towards "Ottomanization."

#### *ARABS THREATEN REVOLT*

At the beginning of March a report came from the northern regions of the Hejaz, known as Tebek and Theima, stating that the tribes were alarmingly restless. It was noted a few months ago that King Ibn Saud had brought peace to the desert in the extreme southeast of Arabia, but apparently the peace is only superficial. Considering the freedom which the Arabs have experienced during the last thirty or forty centuries, the order maintained by Ibn Saud is among the wonders of the present world. Most observers think that this peace is a matter of personal achievement, and that it will perish with him who established it. Others, however,



have hoped that Ibn Saud, by the use of the motor car, the radio and modern weapons, with the teaching of agricultural methods and the use of modern conveniences may succeed in settling the wanderers permanently. There are no nomads in American deserts; must there always be such in the deserts of the Old World?

A royal decree of Dec. 9, 1931, established a Council of Ministers for the Hejaz, to be composed of a President, a Minister of Foreign Affairs, a Minister of Finance, and a Minister of the Consultative Council. In addition, there is a general Cabinet, which will transmit the deliberations of the Council to the Ministers of the Administration.

### *PERSIAN AIR TRANSPORT*

Persia has been suffering from one of the severest winters ever known, with contact with the outer world completely severed for a number of weeks, except by means of airplanes. The road from Bagdad to Teheran was blocked in the mountain passes by five or six feet of snow; moreover, even certain intermediate landing fields could not be used because of deep snow. The airplane is an important factor, it will be seen, in Persia's existence. The contracts by which the Junkers Air Transport Company and the Imperial Airways, Limited, have been flying over different stretches of Persian territory were due to expire recently, but they have been provisionally prolonged.

### *AFGHAN CONSTITUTION*

Reports of the new Constitution of Afghanistan reveal that the Afghan Government declares the country to be completely independent in all internal and foreign affairs. Islam is declared to be the official religion, and the King must govern not only according to the Constitution, but also according to the sacred law of Islam. Rights of subjects include individual freedom from interference, except ac-

cording to the sacred law or the established laws of the State. Slavery and forced labor are forbidden. Personal property, except that of refugees from the country, may not be confiscated. Primary education is to be compulsory and under State supervision. A Council of State is created, to consist of representatives elected for three years. When the Council is not in session, the King may pass special ordinances, which must, however, be submitted to the next session of the Council. New laws are drafted by the Ministers, passed by the Council of State and signed by the King.

A separate Chamber of Nobles is selected and appointed by the King. This Upper House deals with matters referred to it by the Cabinet. Its recommendations go to the Council of State, and it passes upon the laws of the Council of State. In case of difference of opinion between the Council and the Chamber, the matter is referred to a Conference Committee of at least twenty persons, half from each body. Recommendations of such a committee are to be referred to the Council of State; in case of the latter's refusal, the question will be submitted to the King for decision.

In promulgating and establishing this system, Nadir Shah has shown himself a far better judge of what can be done in his country than was the deposed King, Amanullah. The latter underestimated Afghanistan's attachment to its national traditions and to the Moslem system. Dazzled by his trip to Europe, Amanullah abandoned his policy of slow progress and endeavored to Westernize his land in one great effort. Nadir Shah, who has seen more of the West, for he was Afghan Ambassador in Paris for five years, has contented himself with a very gradual rate of progress. He appears to be proving that his people are fully in accord with a large degree of Westernization, provided they are not rushed into it.

# The Stalemate in the Far East

By HAROLD S. QUIGLEY

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SINCE the strategic retirement of the Chinese forces from the Shanghai battlefield on March 2, the good offices of neutrals at Shanghai have been exerted to arrange an armistice as a preliminary to a round-table conference for a definite settlement. Concurrently, efforts of the League of Nations have been exerted toward the same end. Unhappily, neither Shanghai nor Geneva could report progress after more than a month of discussion. Rather, it appeared as though fighting were to be resumed in the Yangtse Valley and that Japan's threats to leave the League were to be taken seriously.

General Shirakawa admitted on March 5 that his troops had captured Huangtu, fifteen miles west of Shanghai, to protect General Uyeda's headquarters at Nanzhang, three miles to the eastward on the twelve-mile boundary demanded by the Japanese before the Chinese retreat. An indefinite occupation of the Shanghai environs was foreshadowed by the digging-in activities of the Japanese forces. Five thousand additional men of the Fourteenth Division of Japan's army disembarked on March 7. The Chinese army also was reinforced strongly.

Chinese troops garrisoning Nantao, one of the Chinese-administered districts of Shanghai, evacuated on March 7, upon rumors that the Japanese intended to occupy that hitherto unmolested section. Railway officials of the Shanghai-Hangchow line accompanied the troops, who bivouacked at Fengchuan, cutting the railway at that point thirty-five miles southwest of Shanghai. Japanese planes took to the air daily, keeping watch

over Chinese movements. The railway to Hangchow was repaired and traffic resumed. The Lunghwa arsenal was dismantled by the Chinese, who took the machinery to Hangchow. Several thousand Japanese reinforcements reached Woosung on March 9, moving up toward the front lines immediately. The men, between skirmishes, were employed in building elaborate defense works and transporting large quantities of arms, munitions and supplies to the front.

An imperial order on March 14 recalled to Japan the Eleventh Division, the Twenty-fourth Mixed Brigade and several special contingents. On the same date the central executive committee of the Chinese National party, the Kuomintang, which is the actual governing authority in the central administration, adopted a resolution calling for "immediate measures for the restoration by means of concrete force of the territorial and political integrity of China." Marshal Chiang Kai-shek, however, who announced his acceptance of the chairmanship, of the military council, stated that China desired a peaceful settlement of all her difficulties with Japan. Sniping occurred near Chiewangmiao and Kiating, and on March 30 the Japanese drove the Chinese troops out of the former position. The departure of the Eleventh Division and the Twenty-fourth Brigade for Japan was completed on March 26. Approximately 50,000 Japanese soldiers still remained in the occupied zone, and a large fleet remained in the Whangpoo.

The first overtures for an armistice had come from Japan on March 10. Previously, General Shirakawa, indi-



cating the Japanese extreme line of occupation westward as running from the International Settlement through Chapei, Chengju, Nanzhang and Kiating to Liuho, asserted positively that no matter what provocation they suffered the Japanese forces would not advance, except for scouting and defensive purposes, beyond that line, and that the limits of Japanese occupation would remain there. He disavowed any intention of ever attempting to take Hangchow, Soochow, Chinkiang or Nanking, or of attacking Tientsin, Swatow, Amoy, Canton, Hankow or any other Chinese city.

A formal note from Mamoru Shigemitsu, the Japanese Minister to China, was handed by Sir Miles Lampson, British Minister, to Quo Tai-chi, the Chinese Vice Foreign Minister at Shanghai, on March 10. Herein it was stated that Japan's civil and military authorities were ready to open direct negotiations in accordance with the terms of the League Assembly resolution of March 4. The note proposed a preliminary agreement to cease hostilities, to be followed by discussion of withdrawal of the Japanese forces. China replied immediately, declaring herself ready to accept the League resolution on the understanding that negotiations would deal only with an armistice and upon complete and unconditional withdrawal of Japan's forces. Mr. Shigemitsu, on March 12, issued his government's formal rejoinder that "Japan is loath to witness reversion of the International Settlement and its vicinity to the conditions at the time of the outbreak of hostilities." Japan insisted that negotiations begin on the basis of the League resolution, which did not specify "no conditions," although Dr. Yen, China's Geneva representative, accepted it on that understanding, which had been made clear by M. Hymans, the chairman of the Assembly.

Division in Chinese diplomatic views was suggested in a statement of Premier Wang Ching-wei, which depre-

cated the fact that war mania was affecting a section of the people, and asserted that "the government is continuing to shape its policies in the light of sound principles and the State's real interests." Conspirators believed by some Chinese to be pro-Japanese were apprehended at Shanghai in possession of documents indicating a plot to seize the city on behalf of the Regent Henry Pu Yi of Manchukuo, the new Manchurian State set up under Japanese auspices.

The commission of investigation sent out by the Council of the League, after a short stay in Tokyo, reached Shanghai on March 14, to be greeted with trumpets by a great throng. Though a fact-finding body under its terms of reference, Lord Lytton, chairman, stated that if requested by both sides it would gladly aid to bring about local peace. On the following day it was intimated that Mr. Quo and Mr. Shigemitsu had met with Sir Miles Lampson, Nelson Johnson, American Minister, and the French and Italian Ministers and definitely agreed that the Japanese troops would be gradually withdrawn and the Chinese troops would refrain from entering evacuated territory. Japanese withdrawal was to be supervised by a commission of neutrals, and after its completion general negotiations to liquidate the Shanghai situation would begin. In this connection it was learned at Washington that for some weeks an understanding for cooperation, so far as possible, toward a settlement of the Far Eastern problem had existed between the United States and Great Britain.

The League Assembly, following its three-point resolution of March 11, elected a commission of nineteen—twelve representing the twelve States represented in the League Council, other than China and Japan, and seven representing Switzerland, Czechoslovakia, Colombia, Portugal, Hungary, Sweden and Belgium—to "propose any urgent measure which may appear necessary," to prepare an



agreement for the Assembly and to submit a report to the Assembly by May 1. Japan's delegate refrained from voting on the resolution on the ground that it declared that the entire covenant was applicable to the dispute. Paul Hymans of Belgium, chairman of the Assembly, also was made chairman of the commission of nineteen. On March 17 the commission called the Chinese and Japanese members of the Council before it for information. Learning from Dr. Yen the terms of the agreement of March 14 at Shanghai (see above), it was further informed that in a separate note, subject to the approval of the Chinese Government, it was provided that Mayor Wu's acquiescence of Jan. 28 to the Japanese demands regarding cessation of the boycott and dissolution of anti-Japanese societies should stand. The commission was also informed that Japan wished to amend the agreement to extend the neutral commission's supervisory functions to the observation of the evacuated area until a later settlement. Dr. Yen stated that the Chinese Government was opposed both to the separate note and to the amendment. The commission reminded Mr. Sato, the Japanese Council member, that before passage of the Assembly resolution of March 4, for which Sato voted, the chairman of the Assembly had clearly expressed the understanding of the whole body that no conditions were to be attached to Japan's evacuation. The commission also summoned Japan and China to report on the execution of the League resolutions of Sept. 30 and Dec. 10 regarding Manchuria and decided to cable the Lytton commission for an early preliminary report on Manchuria.

Japanese military authorities accepted the Quo-Shigemitsu agreement of March 14. On March 23 a truce was to be signed, but the Chinese military representative, General Chiang Kuang-nai, refused ostensibly on the ground that Japan's representative, General Uyeda, was of lower rank

than himself, but actually, it was believed, because of dissatisfaction with the terms. Parleys were carried on for a compromise, but as they were secret the difficulties can only be conjectured. Each side blamed the other for the delay. Twenty-two members of the Cantonese faction of the Kuomintang, among whom were Dr. C. C. Wu and Generals Chen Chai-tang, Pai Chung-hsi and Li Tsung-jen, telegraphed to Loyang, the present capital, that Japan was demanding establishment of a neutral zone around the International Settlement, suppression of all anti-Japanese movements and formal recognition of all Sino-Japanese treaties pertaining to Manchuria and Inner Mongolia. The move was viewed as a step preliminary to establishment of a separate national government at Canton in case Japanese terms were agreed to by Chiang Kai-shek.

At the end of March it was apparent that the sticking point was the definition of areas "adjacent" to the Settlement. The Japanese refused to evacuate Chapei, Hongkew, Kiangwan, Woosung and Paoshan, while the Chinese regarded the continued occupation of these areas as a threat to their freedom of action in any conference that might be held for a settlement of outstanding issues. The Japanese refused to fix a time for withdrawal, another indication of intention to compel rather than arbitrate a satisfactory settlement.

With the retirement of the Chinese forces early in March, conditions in the International Settlement improved. By the end of the month the curfew had been lifted. Annual Council elections took place on March 22-23, resulting in the election of five British, five Chinese, two Japanese, one American and one Danish member, the sole American being Frank J. Raven, banker and realtor. Chinese banks were functioning and dealers were taking deliveries of larger quantities of imports. In self-protection the authorities of the Settlement assumed the job of cleaning up Chapei



in collaboration with the Japanese. Nine hundred bodies were removed in the first two weeks. Health Commissioner J. H. Jordan reported that danger of an extensive epidemic of cholera, dysentery and typhoid was past. At Nanking the American Consul General, W. R. Peck, issued a statement that conditions justified greater confidence in those desiring to return.

### THE NEW MANCHURIAN STATE

While a truce continued unsigned at Shanghai, interest turned to developments in Manchuria and to the increasing tension between Japan and the Soviet Union. The puppet State of Manchukuo sought recognition by foreign States on March 14, but the latter were unresponsive. No comment upon the request was made in Washington, while the British Foreign Office said that recognition now would be premature. In this connection a denial by M. Claudel, French Ambassador to the United States, that France had sided with Japan in the controversy, is of interest. M. Claudel declared at St. Louis on March 23 that his country had been in complete accord with the other powers. Tokyo insisted that the Soviet Union had recognized Manchukuo.

Changchun, capital of Manchukuo, received the name Hsinching, meaning "new capital," after the inauguration of Pu Yi. The government there formally notified Loyang and Nanking, joint capitals of China, that all political connection between the area embraced within the new State and China was ended. Geneva was notified by the same junta that China could no longer speak for Manchuria. At Peiping, meanwhile, Manchurian refugees cabled to the League's commission of nineteen a solemn declaration "that the alleged independent government is solely under Japanese manipulation and that the leaders are not free agents."

The Cabinet at Hsinching included

a Premier and Ministers of Administration, Foreign Affairs, War, Finance, Industry, Justice and Legislation; also a president of the Senate. General Ma Chen-shan, already rewarded for his shift of allegiance with the Governorship of Heilungkiang, became Minister of War. Governors Tsang Shih-yi of Liaoning and Hsi Hsia of Kirin, and Mayors Chang Ching-hui of Harbin and Chao Hsin-pa of Mukden, each received a Cabinet post. The *Manchuria Daily News* (Japanese) published the Constitution of the would-be State on March 1. There are five chapters, containing thirty-four articles. All power is vested in the "Dictator," or "Regent," who is stated to be "responsible to the people." The Cabinet, or State Council, is subject to the Regent's orders. A Senate and a Legislative Council are provided for, the Senate being advisory to the Regent, the Council to sit for a month or longer annually and to "endorse all legislative bills, together with the State budget." The Regent, however, with the approval of the Senate, may execute laws rejected by the Legislative Council. The first session of the latter was announced as summoned to convene in July and to contain 100 members, half to be selected by the central government, half by the provincial governments.

The decision of the Pu Yi régime to take over administration of customs at Manchurian ports was announced on March 26. Monthly remittances were promised to the Inspector General of China's customs service at Shanghai to cover Manchuria's share of China's loan obligations that are secured upon customs revenues. Thus China was deprived of the surplus revenues from her second largest port, Dairen, as well as from Antung, Ying-kow, Harbin, Aigun and Lungchiangtsun. On March 28 a similar announcement was issued regarding the salt tax.

Contrary to Japanese expectations, the installation of a Manchu government for "Manchus" was received, not



with acclaim, but with widespread opposition, which took the form of indifference among the rank and file and of military action by troops of Chang Hsiao-liang, the former Governor. The flag-waving over the inaugural celebration was left to the Japanese, and even before the celebration began reports of serious fighting were received. Revolts occurred in early March against Ma Chen-shan in Western Heilungkiang and against Hsi Hsia in Eastern Kirin. Movements of Chinese troops were in process at the same time in Chientao, just north of the Korean border, and at Tunhua, eastern terminus of the Kirin-Tunhua railway, which the Japanese desire extended to Korea. Attacks on trains of the Mukden-Antung railway occurred, necessitating increased guards for that line. The boldness of the opposition was evidenced by an attack upon the Japanese air-drome at Mukden while the inaugural ceremony was proceeding.

The Chinese garrison at Heiho, across the Amur from the Russian town of Blagovestchensk, revolted on March 10, when the new flag was raised. Two Japanese residents were killed and bullets fell in Russian territory. Three days later a similar revolt at Manchuli, western border town, was attended by the murder of a Japanese. Numerous defections in the army supposedly loyal to Pu Yi were reported. Subordinate officers charged Generals Ma and Hsi Hsia with overweening personal ambition in affiliating themselves with the purposes of Japan. Fu Yu (Petuna), a large city west of Changchun, was captured by a strong insurgent force equipped with artillery. This city, though in Kirin Province, is the commercial outlet of Inner Mongolia. Another Chinese force took Chuangho, on the coast near Dairen. From Mukden, strongly held by the Japanese, the League of Nations commission at Shanghai received a telegram signed by labor unions, the educational association, bankers' association and

twenty-eight other organizations, which described the new Manchuria as "merely a puppet of the Japanese army," and stated that the Chinese people there would rather share the destiny of China than live under Japan.

Incidents of the character referred to above continued to occur and to increase in severity throughout Manchuria. On March 22 Minister of War Araki informed the Japanese Diet that additional forces should be sent, although he intimated that 30,000 were already there. The principal military opposition to the Japanese centered in Kirin Province, in which their forces began extensive cleaning-up operations toward the end of March. The most severe encounters occurred at Nungan, thirty-five miles north of Changchun (Hsinching), which was captured by a force several thousand strong. Japanese troops retook the town on April 2. Loss of life was extremely heavy on both sides. An expeditionary force of unannounced numbers was dispatched into the Chientao area from Korea.

F. Kuhara, member of the former Seiyukai Cabinet of General Tanaka, in an article in the Tokyo magazine *Bungei Shinja*, revealed that in 1928 Tanaka schemed to separate Manchuria from China by demilitarization. His plan failed when Chang Tso-lin, former dictator, was assassinated—according to Kuhara—by disaffected Chinese.

Chinese immigration into Manchuria has not been terminated by the new situation there, nor, apparently, is it the intention of the existing authority in Manchuria to establish barriers against it. Plans were discussed in Tokyo for settling 500,000 Japanese families in Manchuria within the next ten years. Hitherto, although assistance has been rendered by the Oriental Colonization Company, which is under government auspices, migration from Japan has been slight because of the low standard of living among



the Chinese there, which made economic competition difficult.

### RUSSIA AND JAPAN

The outbreaks on the border of Siberia increased the tension in Moscow when Japanese troops were sent toward the towns affected. A pointed interchange took place between Karakhan, acting Foreign Commissar, and Japanese Ambassador Hirota. The latter reminded Karakhan of Soviet manipulations in Outer Mongolia, and when Karakhan replied that the cases were not parallel, since the Soviet Union maintained no troops in Mongolia, which, he claimed, had long been an independent State, Hirota remarked that Japan lacked means of verifying that statement. Soviet newspapers on March 20 featured an interview with Minister of War Araki in which Russia was politely told to mind her own business. Apprehension lest the Soviet Union be drawn into a general war through a Franco-British alliance with Japan against her was believed to be largely responsible for the caution displayed in the face of Japan's extensive military movements within Russia's former sphere of influence in North Manchuria. On March 21 Moscow published a Japanese disclaimer of aggressive intentions respecting Siberia.

### JAPANESE DIET MEETS

An extraordinary session of the Japanese Diet was opened on March 20. To smooth its path the Cabinet persuaded Home Minister Nakahashi, who was theoretically responsible for the failure of the police to prevent the attack of Jan. 8 upon the Emperor, to resign. Minister of Justice K. Suzuki was transferred to the Home Ministry. The session was called to vote funds for the Chinese expeditions amounting to 67,000,000 yen (\$21,700,000), supplementary to extraordinary military grants of \$30,000,000 previously made by imperial ordinances. In fear of their lives, members of the Diet voted the required funds unanimously. No one wished to undergo the experience

of Dr. Inazo Nitobe, member of the House of Peers, who, though ill in a hospital, was compelled by the Ex-Service Men's Association to appear before it and apologize for his public statement that the Communists and "the military cliques" were detrimental to the country.

The police obtained information that Commander Fujii of the naval air service had furnished pistols to the assassins of former Finance Minister Inouye and Baron Takuma Dan. Fujii had nursed a strong feeling of resentment since the failure of the policy of the Naval Staff Board at the London Naval Conference of 1930. He was killed in action at Shanghai before the assassinations. Thirteen members of a "death-band" pledged to exterminate leading politicians and financiers as a means to national regeneration, and believed to have been organized by men of high standing in "patriotic" societies, were committed for trial on the charge of murder on March 28. From a business man associated with the band, the police learned that many other prominent public men were marked for death, among them Prince Tokugawa, president of the House of Peers for twenty-five years; Count Makino, Lord Keeper of the Privy Seal and the most influential statesman after Prince Saionji; Prince Saionji, surviving elder statesman, and former Foreign Minister Shidehara.

[The statement on page 757 of this magazine for March that the boycott at Shanghai began *after* the Japanese intervened in Manchuria was incorrect. The boycott had its inception during the Summer as a consequence of resentment aroused by suspicions of Japanese encouragement of factional warfare and, more especially, by the massacre of Chinese in Korea which followed the Wanpaoshan incident in Manchuria. The boycott had not, however, assumed proportions serious to Japanese trade with China until the intervention occurred in September.—H. S. Q.]